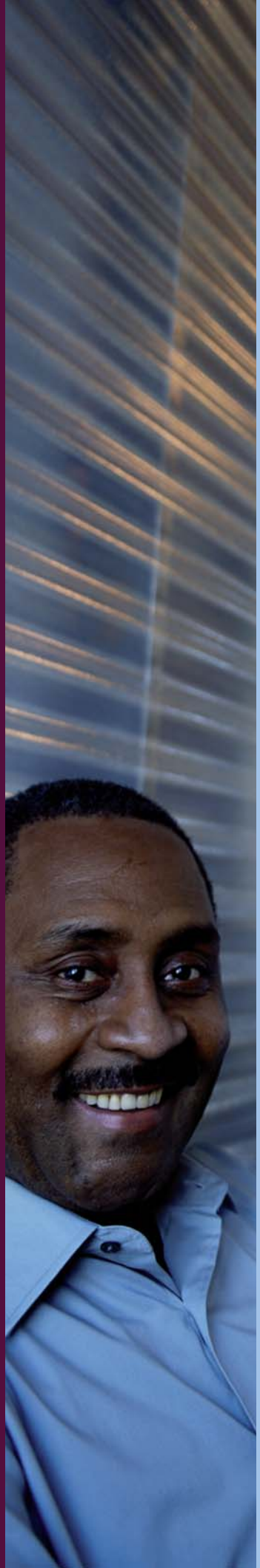
SHIFTING BORDERS TOGETHER

ANNUAL REPORT 2005

ERAMET



CONTENTS

SHAREHOLDERS' NOTEBOOK

ERAMET

ERAMET ON THE STOCK MARKET IN 2005

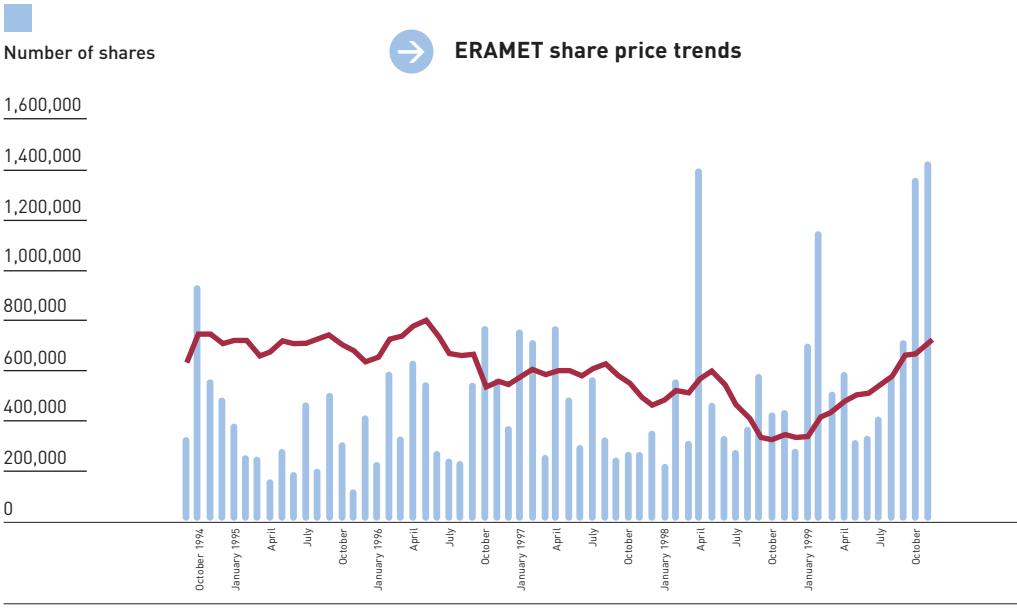
FURTHER SHARP GROWTH IN ERAMET SHARE PRICE: UP 22% IN 2005

Eramet shares rose substantially in 2005 (+ 22%), following a year of very high growth in 2004 (+ 73%).
The stock reached a high of €94.90 on August 1st and ended the year at €81.00. This increase is in line with the performance of the CAC 40 index (+ 23%). Eramet's market capitalisation was €2.089 billion as on December 31st, 2005, putting it in approximately 80th place among companies on the Paris stock market.
Taking into account the exercise of new share subscription options by employees, the total number of outstanding shares as on December 31st, 2005 was 25,789,874, compared with 25,744,944 as on December 31st, 2004.

Share and dividend data

	Closing price (€)			Market capitalisation as on Dec. 31st (€ millions)	Trading volume (daily average)	Earnings per share (€ per share)
	high	low	as on Dec. 31st			
1995 *	58.39	41.31	48.78	743	15,673	4.36
1996 *	61.89	34.91	41.47	643	23,981	3.03
1997 *	53.20	33.08	34.76	542	22,172	3.82
1998	47.72	22.11	25.60	399	24,176	2.75
1999	58.75	23.15	57.00	1,393	33,810	1.37
2000	61.75	41.90	43.55	1,076	14,100	4.42
2001	47.80	22.00	34.60	855	4,664	- 0.13 [1]
2002	39.80	13.90	21.05	527	4,928	0.23
2003	38.60	14.50	38.50	985	5,834	- 4.35 [2]
2004	72.90	36.70	66.20	1,704	15,953	13.75
2005	**94.90**	**66.10**	**81.00**	**2,089**	**19,319**	**14.76**

ERAMET share price trends



SIGNIFICANT INCREASE IN TRADING

Trading volumes for Eramet shares rose 20% compared with 2004.

Inclusion in deferred settlement system (SRD) in 2006

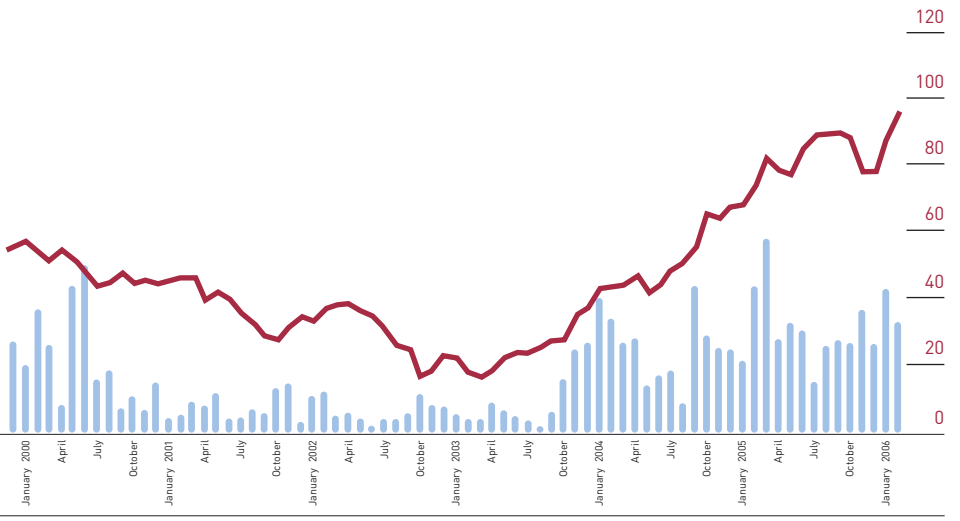
Given this further improvement in the stock's liquidity, Euronext Paris announced in early 2006 that the Eramet share would be included in the deferred settlement system (SRD) from March 28th, 2006.

Dividend ** (€ per share)	Net yield on basis of Dec. 31st price	Yield including tax credit on basis of Dec. 31st price
1.00	2.05 %	3.09 %
1.00	2.41 %	3.64 %
1.14	3.28 %	4.93 %
1.14	4.45 %	6.68 %
1.14	2.00 %	3.00 %
1.30	2.99 %	4.48 %
1.14	3.29 %	4.90 %
1.00	4.75 %	7.13 %
0.86	2.23 %	3.35 %
2.00	3.02 %	–
2.10	**2.59 %**	–

* Recalculated in euros.
** Dividend excluding tax credit from 1994 to 2003 inclusive.

(1) Before effect of provision on SMC, income per share is €1.98.
(2) I.e. €0.22 per share excluding extraordinary expense for restructuring.

Share price (monthly average) in euros



SHAREHOLDER INFORMATION

THOROUGH, TRANSPARENT FINANCIAL INFORMATION

The financial communications department is in charge of implementing the Group's information policy with respect to the financial community, investors and shareholders.

In addition to the two meetings for analysts and journalists held for the publication of interim and annual results in March and September, several road-shows were organised in Paris, London, Stockholm and Frankfurt.

In 2005, a tour of the Alloys division's closed die-forging sites in Pamiers and Issoire (France) was organised for financial analysts to spotlight Eramet's industrial potential in its aerospace-focused activities.

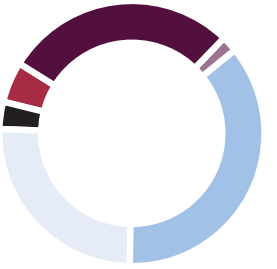
Eramet's website (www.eramet.fr) is designed to present the Group and its activities. It gives access to all the presentations, press releases (with a subscription option) and financial documents (stock market reference document and annual reports) produced by the Group.

1

2

1.
The 40,000 ton press at the new closed die-forging unit in Pamiers (France).

2.
Tour of the Pamiers site.



Shareholding (as on December 31st, 2005)

Miscellaneous	29.46 %
Treasury shares	0.59 %
Sorame + CEIR	37.24 %
Areva	26.20 %
BRGM*	1.38 %
STCPI**	5.13 %
Total	**100 %**

*BRGM: Bureau de Recherches Géologiques et Minières (French state)
**STCPI: Société Territoriale Calédonienne de Participation Industrielle (New Caledonian provinces)

ERAMET IDENTITY CARD

- The Eramet share is part of compartment A of the Euronext Paris single list.
  Eramet is part of the new CAC MID 100 index and the SBF 250 index. Eramet is in the deferred settlement system (SRD) since March 28th, 2006.
- ISIN code: FR 0000131757.
- Mnemo: ERA.
- Number of shares as on December 31st, 2005: 25,789,874
- Par value: €3.05
- Fiscal year from January 1st to December 31st

SHAREHOLDERS' DIARY

Thursday, April 27th, 2006
General shareholders' meeting

Wednesday, May 3rd, 2006
Publication of 1st quarter turnover, before stock exchange opening

Tuesday, August 1st, 2006
Publication of 2nd quarter turnover, before stock exchange opening

Thursday, September 7th, 2006
Publication of 1st half results, before stock exchange opening

Friday, November 3rd, 2006
Publication of 9-month turnover, before stock exchange opening

Thursday, February 1st, 2007
Publication of full-year turnover 2006, before stock exchange opening

CONTACTS

ERAMET
Philippe Joly
Investor relations
Tour Maine-Montparnasse
33, avenue du Maine
75755 Paris Cedex 15
France
Tel. +33 (0)1 45 38 42 02

BNP PARIBAS
Securities Services
GCT-Services aux émetteurs
Immeuble Tolbiac
75450 Paris Cedex 09
France
Tel. +33 (0) 826 109 119

BOARD OF DIRECTORS AS OF THE SHAREHOLDERS' MEETING OF MARCH 8th, 2006

CHAIRMAN
& CHIEF EXECUTIVE OFFICER
JACQUES BACARDATS

HONORARY CHAIRMAN
YVES RAMBAUD

DIRECTORS

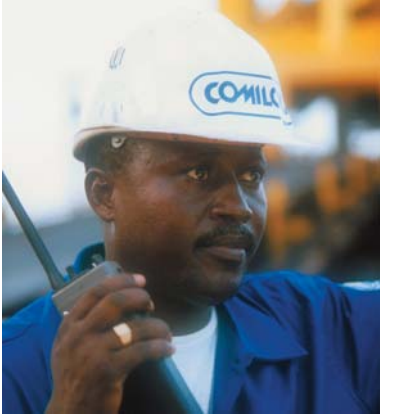
	Main offices held
RÉMY AUTEBERT	Director, Mining Business Unit, COGEMA
CYRILLE DUVAL	Manager, SORAME
ÉDOUARD DUVAL	Chairman of Managing Board, SORAME
GEORGES DUVAL	Manager, SORAME (Deputy Chairman and Delegate CEO, Eramet)
PATRICK DUVAL	Chairman & Chief Executive Officer, CEIR
PIERRE-NOËL GIRAUD	Professor, École Supérieure des Mines, Paris
FRANÇOIS HENROT	Managing Partner, Rothschild & Cie Banque

STATUTORY AUDITORS

ERNST & YOUNG AUDIT
Tour Ernst & Young
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La-Défense Cedex
France

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine Cedex
France

Loading nickel ore in Tiébaghi (New Caledonia).



Operator in Moanda mine (Gabon).

DIRECTORS

	Main offices held
GILBERT LEHMANN	Deputy Chief Executive Officer, COGEMA[1] (Deputy Chairman, Eramet)
LOUIS MAPOU	Chairman, STCPI (New Caledonia)
HAROLD MARTIN	President of the New Caledonian Congress[2]
JACQUES ROSSIGNOL	Former Chief Executive Officer, SNECMA and Arianespace
MICHEL SOMNOLET	Former Director, Deputy Chairman and Chief Financial Officer, L'Oréal
ANTOINE TREUILLE	Executive Managing Director, Mercantile Capital Partners, LLC
AREVA, represented by FRÉDÉRIC TONA	Former Director, Mining Business Unit, AREVA / COGEMA

(1) replacing JEAN-LUCIEN LAMY, provisionally appointed by the Board of Directors on Dec. 13th, 2005.

(2) appointed at the shareholders' meeting of May 11th, 2005, replacing PASCAL LAFLEUR.

ERAMET

Tour Maine-Montparnasse
33, avenue du Maine
F-75755 Paris Cedex 15

Tel. +33 (0)1 45 38 42 02
Fax +33 (0)1 45 38 41 28
www.eramet.fr

ERAMET

is a mining and metallurgical group that carries out and develops its activities on the basis of sustainable, profitable and harmonious growth.

The Group has grown over the past 15 years, increasing in size several times over and expanding onto five continents in step with its markets. Drawing on unique know-how in geology, mineralurgy, hydrometallurgy, pyrometallurgy and high-performance steel design, Eramet has front-rank global positions in the production and conversion of non-ferrous metals and alloys. In 2005, the Group's three divisions – Nickel, Manganese and Alloys – achieved €2,712 million in turnover, over 80% of which was outside France, and recorded current operating income of €542 million.

Eramet's approximately 14,000 employees worldwide, together with its customers, shareholders and partners, drive this growth, supported by a strategy of innovation and investment, constant performance improvement and responsible activity management.

SHIFTING BORDERS TOGETHER

A NEW MOMENTUM

In 2005, Eramet's teams committed to a programme intended to build a new growth momentum and take the Group beyond its current borders, whether geographic, individual, collective or technical.

This ambition is based on robust economic fundamentals, a healthy treasury and efforts that have made the Group a world-class global competitor. It is a realistic goal as Eramet's businesses are on markets with long-term growth, such as steel, chemicals and aerospace.

All Eramet's teams are rallying round this process, which grounds the Group's culture in the initiative, energy and responsibility of its employees.

A PROJECT THAT RALLIES ERAMET'S PEOPLE AROUND ITS FUTURE

INTERVIEW WITH JACQUES BACARDATS

CHAIRMAN & CHIEF EXECUTIVE OFFICER

After an outstanding 2004 for Eramet, what condition is the Group in today?
J. B.: We are on cyclical markets. 2005 saw an upturn in the aerospace market. The alloys business generated more income than in 2004; although this was not enough to make up for the fall in manganese and nickel prices, we are still in a context of steady growth over the long term. Nickel prices remain high and manganese markets are growing. Some of our businesses achieved outstanding results, such as catalyst recycling, thanks to soaring vanadium and molybdenum prices. Compared with the trends of the past 10 or 15 years, 2005 was a very good year for the Group.

"TAKING THE GROUP BEYOND ITS CURRENT BORDERS."

Last year, you said that the Group was ready for a new growth phase. What's the status of your projects in this area?
J. B.: No one in the Group is indifferent to the growth period we are going through. Where others might be tempted to take a break, given the solidity of the Group and its results, we have opted to take on new challenges. The evolution of our markets gives us confidence and strengthens our ambitions. We have to seize this momentum and the desire for movement that exists in the Group today. And in 2005, we launched a major corporate project that rallies our people around the Group's future to meet that expectation. The *Leaders* Project concerns every Eramet employee. The aim is to foster a culture of initiative, ambition and development to take the Group beyond its current borders.

Eramet already has bases on five continents. What borders do you mean?
J. B.: The borders in question are technical as well as geographic, collective as well as individual: developing our know-how, offering our customer more, winning new markets, constantly challenging ourselves to evolve with the world around us, pooling our experience to move forward, innovating to serve the environment, etc.

In 2004 and 2005, everyone in the Group contributed to the performance efforts that enabled us to build up financial resources. We intend to use those resources to fund developments in all three of our divisions.

"OUR CAPITAL EXPENDITURE WAS HIGHER IN 2005 THAN ITS HAS EVER BEEN; IT WILL BE HIGHER STILL IN 2006."

So will your capital expenditure strategy continue?
J. B.: Our capital expenditure was higher in 2005 than it has ever been, at €231 million. These investments partly fund the organic growth of each division's business, with the 2005 stage in the Nickel Division's 75,000-ton programme, the Manganese Division's programme to extend production capacity to 3.5 million tons and the Alloys Division's new closed die-forging unit in Pamiers.

"WE HAVE FORMED A SOLID, EXPERIENCED FRANCO-CHINESE TEAM TO MANAGE OUR ACTIVITIES IN CHINA."

Despite our withdrawal from the Tiangong project, which did not get off to a good start, we are still developing our operations in China. We have begun construction of an Electrolytic Manganese Dioxide (EMD) plant; we are opening a new tool steels distribution centre in early 2006 and, above all, over time we have formed a solid, experienced Franco-Chinese team to manage all our activities in the country.

We have also prepared for future developments. For example, we decided to build a new catalyst recycling plant in Canada in line with the growing use of new oilfields in Alberta.

Are you planning to develop in new activities?
J. B.: We are keeping an active watch over several sectors that are closely related to our skills. We have gained expertise in non-ferrous metals and are already developing activities in molybdenum, vanadium, cobalt and chrome. We know what we want to do, but we also have a clear vision of what we don't want. We are only interested in higher turnover if it comes with higher income. Profitability and competitiveness remain core concerns. This doesn't only concern our external developments. We are constantly implementing competitiveness improvement programmes in all three divisions.

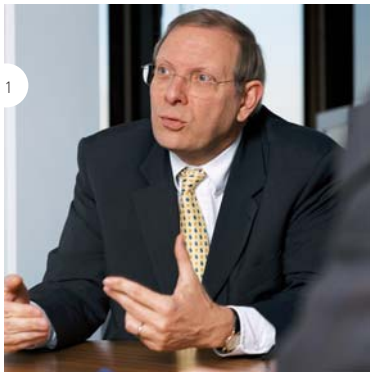
We never forget that our businesses are on cyclical markets. We are delighted about the good years, but we know that the bad years will be back. In all our businesses, whenever we have a competitive edge in terms of cost price, we have to hold on to it.

What is the outlook for 2006?
J. B.: In terms of the ongoing cycles, 2006 will be slightly lower than 2005. However, we are on markets with structural growth. So we will keep up our strategy of innovation, investment and development.

TRANSPARENT AND EFFECTIVE MANAGEMENT PRACTICES

DEVELOPMENT-FOCUSED ORGANISATION

IN RECENT YEARS, ERAMET HAS SET UP AN ORGANISATION THAT COMBINES AN INTERNATIONAL STRATEGIC FOCUS, EFFICIENT OPERATING MANAGEMENT AND STREAMLINED CORPORATE TEAMS AND PROCEDURES THAT AVOID WEIGHING DOWN THE CHAIN OF COMMAND AND MAINTAIN THE CLOSE RELATIONS THAT ARE SPECIFIC TO THIS INTERNATIONAL GROUP. IN 2005, ERAMET ENHANCED ITS MANAGEMENT TOOLS AND DEVELOPED COMMUNICATION ON ITS STRATEGIC CHOICES TO MAKE THEM CLEARER AND, THEREFORE, MORE MOTIVATING FOR ALL ITS EMPLOYEES.



1

JACQUES BACARDATS
Chairman & Chief Executive Officer

Roles and missions of committees

The Group's Executive Committee (Comex) defines and implements strategy. It is comprised of the Chairman & CEO, the three Division managers, who are also Delegate CEOs, the chief financial officer and the Group human resources manager.

Each Comex member is responsible for a strategic corporate function such as R&D, environment, engineering, information systems and purchasing. This keeps the Executive Committee in close touch with each of the Group's divisions and with key support activities. Since 2004, the Comex has been directly involved in the monitoring and regular review of high-potential managers. The Group's international management reports directly to the Comex. The Chairman directly supervises strategy, industrial affairs and marketing.

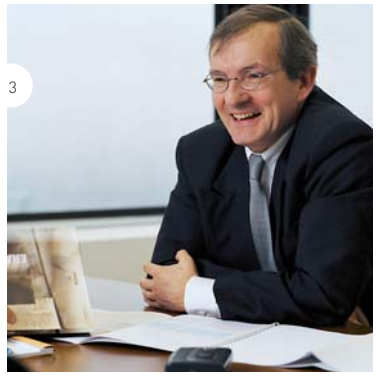
In 2005, Eramet took the opportunity of the switch to IFRS accounting standards to upgrade its internal reporting processes and enhance them with a management system. This tool gives the Group accurate, detailed information on all its activities worldwide, enabling it to respond quickly to any deviation or change.

The Group also began broader and more open communication on its strategic choices, both internally and externally.

The International Management Committee, created in 2004, continued its work, leading to new synergies between Group entities. The committee is made up of the Group's senior managers. The three divisions and the main geographic regions for Eramet's business are represented.

2

DOMINIQUE FRANCHOT
Human Resources, Health & Safety



3

JEAN-DIDIER DUJARDIN
Chief Financial Officer

Its mission is to support the Group's increasingly vibrant international development. Some divisions have more extensive bases than others in given parts of the world. By pooling experience and information, this forum opens up new perspectives. The setup of a common organisation in China, given the Group's many developments in the country, is the most striking example.

In 2005, the members of the International Management Committee opted to assess each other through a 360 degree feedback procedure. This assessment, supported by an outside expert, reflects the Group's ability to challenge itself in an improvement framework. Its gradual rollout to other groups within the company began in 2006.

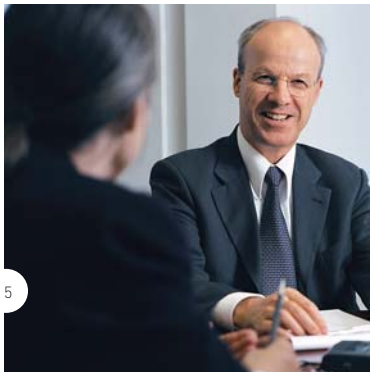
EXECUTIVE COMMITTEE

JACQUES BACARDATS [1]
Chairman & CEO

PATRICK ANDRÉ [4]
JEAN-DIDIER DUJARDIN [3]
GEORGES DUVAL [5]
DOMINIQUE FRANCHOT [2]
ALAIN ROBERT [6]

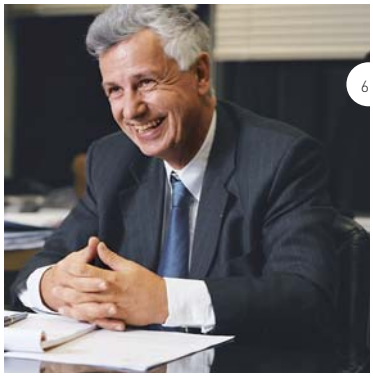
4

PATRICK ANDRÉ
Delegate CEO
Manganese Division



5

GEORGES DUVAL
Deputy Chairman,
Delegate CEO
Alloys Division



6

ALAIN ROBERT
Delegate CEO
Nickel Division

INTERNATIONAL MANAGEMENT COMMITTEE

Comprised of the Executive Committee plus the following senior managers:

MARCEL ABÉKÉ
Director, CEO
of Comilog Gabon

LUC AUFFRET*
Delegate CEO,
SLN New Caledonia

JOSEPH CHANG
Chairman & CEO,
Eramet China

XAVIER CHASTEL
Chairman, Erasteel

ÉDOUARD DUVAL
Group purchasing manager,
Chairman of Eramet
International

ALAIN PRADOURA
CEO, Aubert & Duval

PHILIPPE VECTEN
Group strategy manager

* Replaced by PIERRE ALLA
on March 17th, 2006.

CHAIRMAN'S OFFICE

OLIVIER BEAUNAY
Internal & corporate
communications

ANTOINE GRECO
Industrial affairs

PHILIPPE JOLY
Financial communications
& marketing

PHILIPPE VECTEN
Strategy

GROUP-WIDE FUNCTIONS

JEAN-PIERRE CESCUTTI
Research & development
(CRT)

ÉDOUARD DUVAL
Purchasing

OLIVIER MONGROLLE
Information systems

CATHERINE TISSOT-COLLE
Environment
& industrial risks

ALAIN ZAMBETTI
Projects & technology
(TEC Ingénierie)

The choice of closeness

With bases in may countries, Eramet develops with respect for the diversity of cultures and management methods. In virtually all the Group's operations in Europe, Asia, Africa, Oceania and America, local nationals form a large part of management teams.
This choice enables the entire Group to benefit from a wealth of different methods and organisational approaches in order to share best practices.

Demanding governance standards

Eramet strives for great rigour in its corporate governance procedures. In 2005, the audit and compensation committees fully contributed to the quality of the board of directors' work.

The board of directors met four times in 2005. Its composition changed during the year. More specifically, Mr Harold Martin, president of the New Caledonian congress, joined as director in succession to Mr Pascal Lafleur in May 2005. In December, the board noted the resignation of Mr Jean-Lucien Lamy and provisionally appointed Mr Gilbert Lehmann, deputy CEO of COGEMA, who was also appointed deputy chairman.

The Group's major capital expenditure programmes, particularly in China, Gabon and North America, were presented to the board. It also carefully monitored developments in the situation with respect to the Bercy agreement and will continue to do so.

Audit committee

The audit committee met three times in 2005. It particularly addressed cash balancing policy, provisions policy and various lawsuits. The committee examined the main questions raised by the transition to IFRS standards and played a decisive role in improving reporting and audit procedures. It also audited the 2004 financial statements.

Compensation committee

The compensation committee determined the compensation of corporate officers and set their 2004 bonuses and 2005 objectives. In December, it determined 2005 bonuses, based on an in-depth examination of estimated results and actions taken, division by division and on Group level. It also examined and debated corporate officers' compensation for 2006. In particular, progress on safety, governance and human resources management were taken into account. Finally, the committee set objectives for 2006.

1.
The Group is committed to wider, more open communication on its strategic choices, both internally and externally.

2.
The role of the International Management Committee is to foster the exchange of ideas among executives on a basis that reflects the Group's international openness and diversity.

Internal control

In early 2004, the Company undertook the progressive assessment of its internal control system. The first stage in this programme consisted of mapping risks. The project was carried out through interviews with the main managers of the Group's various processes, in order to measure their exposure to risks and the effectiveness of the related internal control. Based on the findings of this mapping process, an improvement action plan was defined. Audit plans are drawn up on the basis of the risk map.


2

INTERNAL CONTROL 2005

The following was accomplished in 2005.

- Towards the end of 2004, Eramet created a cash pooling company to act as a central treasury hub for all the Group's companies. Cash procedures were reviewed accordingly and implemented in early 2005;
- A new cash management software package for the entire Group was set up during the year;
- In 2004, the company drew up a stock market reference document on the basis of the 2003 financial statements. This was approved by *Autorité des Marchés Financiers* (AMF) on January 25th, 2005. It was updated in mid-year to include the 2004 financial statements and obtained AMF approval on September 2nd, 2005. Eramet will also publish an adapted and updated document of this type for 2005;
- The deployment of IFRS standards led the Group to strengthen its accounting norms and procedures and to standardise them across the various companies. This project was managed by a taskforce named Eranorm, made up of the main accountants in Group companies, which ensured that the new standards were implemented from the beginning of 2005. The Group presented its opening balance sheet as on January 1st, 2004 and its financial statements as on June 30th, 2005 according to IAS/IFRS standards upon publication;
- An overhaul of the Group's reporting system was begun with the adoption of a new consolidation and reporting software package. The financial part is now operational and the rollout of operating indicators is in progress;
- Marketing resources for the Manganese division were unified and sales information systems were improved.

INTERNAL CONTROL 2006

The main actions planned for 2006 concern:

- In relation to the rollout of new treasury applications, the continued development of interfaces with accounting applications and, for payments, the transition to secure link protocols with banks;
- Further modernisation of divisions' information systems;
- Review of risk mapping and definition of a multi-year audit plan on that basis.

FOUR BORDERS, FOUR CHALLENGES

COLLECTIVE

GOING BEYOND THE LIMITS OF EVERY ACTIVITY IN TEAMS AND NETWORKS TO TAKE THE ERAMET GROUP'S CONSTRUCTION FURTHER.

p. 10-21

SHIFTING BORDERS

ERAMET'S PEOPLE

SHARED TRUST **Why do all Eramet employees share the same culture and commit to a common adventure? In 2005, with assistance from Stratorg consultants, the Group conducted a survey of its management teams to find out what that relationship of trust was based on. Through this process, several relationship profiles were identified and described. These "invisible contracts" between the Group and its employees are presented throughout this report.**

GEOGRAPHIC

SHARING THE RICHES OF EVERY ACTIVE CULTURE IN THE GROUP AND MEETING CUSTOMERS' NEEDS WHEREVER MARKETS ARE DEVELOPING. p. 22-29

TECHNICAL

MAINTAINING, PASSING ON AND ENHANCING THE SKILLS THAT GIVE ERAMET A TECHNICAL EDGE. p. 30-37

INDIVIDUAL

RECOGNISING THE STRENGTH OF EVERY EMPLOYEE'S INITIATIVE AND COMMITMENT. p. 38-45

TOGETHER

THE COLLECTIVE

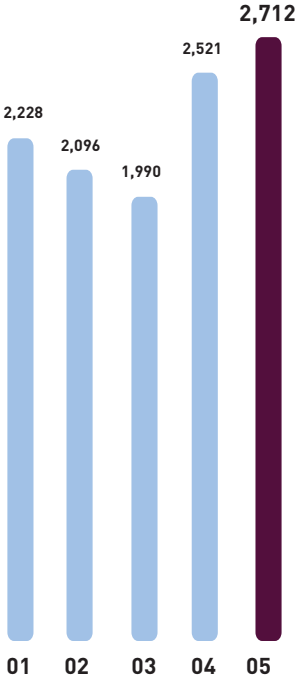
BORDER

ERAMET'S APPROXIMATELY 14,000 EMPLOYEES WORLDWIDE SHARE THE SAME VISION: DEVELOPING THE GROUP'S PERFORMANCE TO CREATE VALUE. THIS AMBITION, RELATED TO THE GROUP'S SIZE AND INTERNATIONAL SCOPE, MEANS THEY SHARE IMPROVEMENTS AND FAVOUR TEAMWORK IN A NETWORKING PROCESS ACROSS DIFFERENT COUNTRIES AND ACTIVITIES, IN EVERY AREA WHERE POOLED EXPERIENCE GIVES A COMPETITIVE ADVANTAGE.

KEY FIGURES 2005

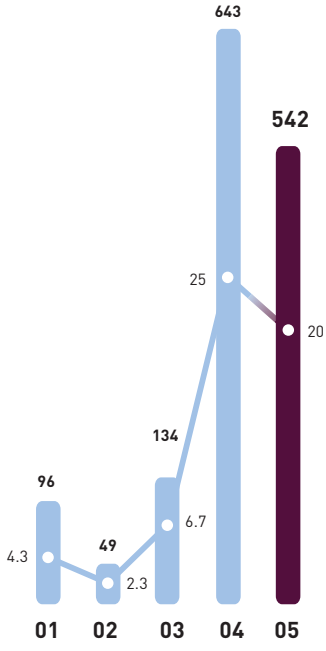
AN OUTSTANDING YEAR

ERAMET ACHIEVED VERY HIGH PERFORMANCE IN 2005 THANKS TO NICKEL PRICE TRENDS, THE GOOD RESULTS OF THE OIL CATALYST RECYCLING BUSINESS AND THE TURNAROUND OF THE ALLOYS DIVISION. THE GROUP'S FINANCIAL STRUCTURE WAS FURTHER STRENGTHENED, DESPITE HIGH LEVELS OF CAPITAL EXPENDITURE, ENABLING ERAMET TO CONSIDER NEW OPTIONS FOR EXTERNAL GROWTH.



Turnover
(millions of euros)

Turnover rose 8% with sharp growth in the Alloys division.



Operating income /
Current operating income*
(millions of euros)

Operating margin as %

Current operating income remained very high. The operating margin was 20% of turnover.

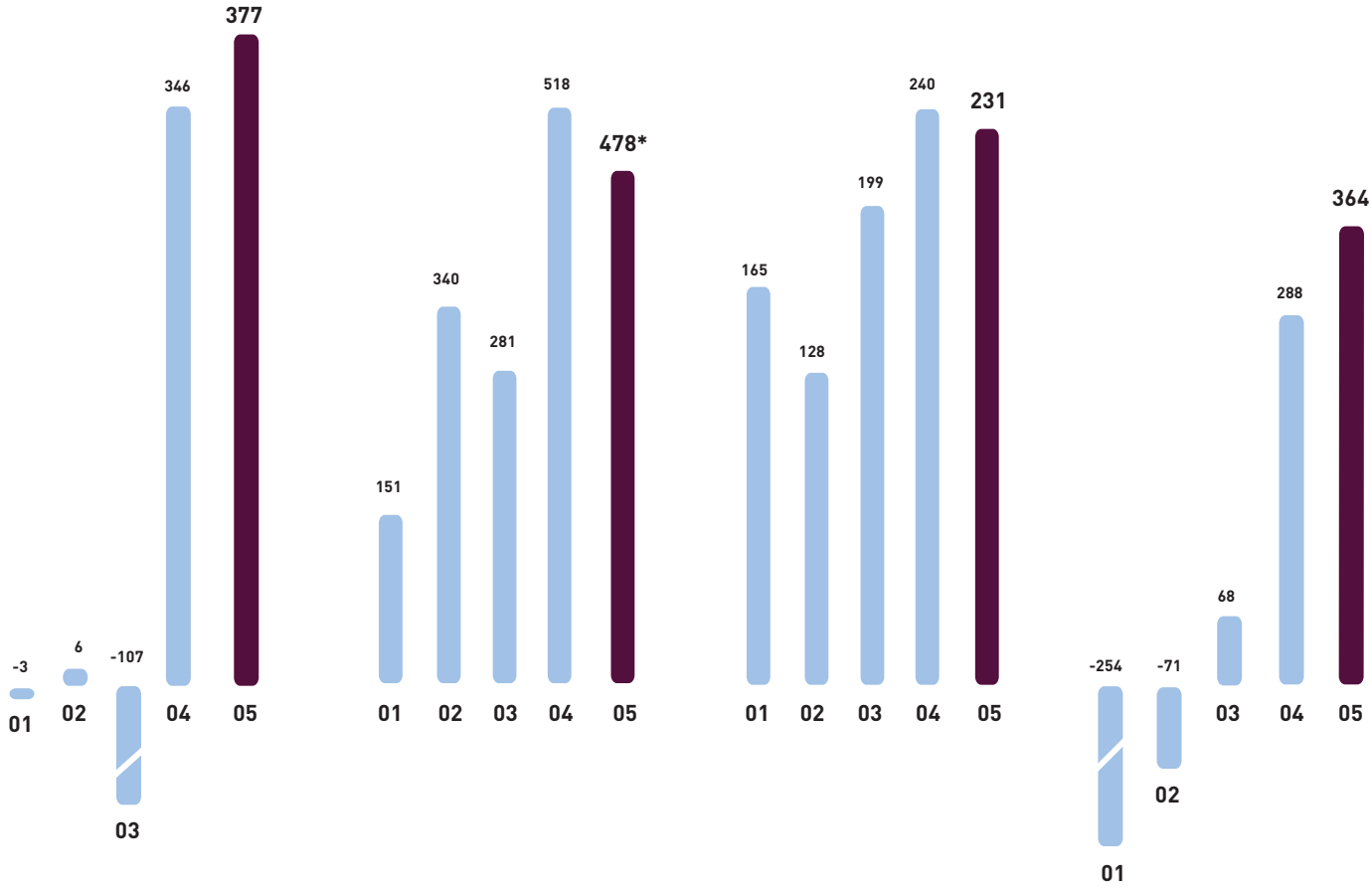
* Operating income under French standards until 2003. Current operating income under IFRS standards for 2004 and 2005.

Turnover by geographic zone

Europe	50 %
Asia	24 %
North America	23 %
Other regions	3 %
Total	**100 %**

Turnover by division
(comparison with 2004)

Nickel	28 %	+ 1 %
Alloys	30 %	+ 23 %
Manganese	42 %	+ 3 %
Total	**100 %**	



Net income, Group share
(millions of euros)

The Group's share of net income increased 9%, including non-recurring income, Group share, of €77 million resulting from the Bercy agreements.

Operating cash flow
(millions of euros)

High cash generation in a context of fast business growth in the Alloys division.

* Including €124 million with no impact on the Group's net cash, resulting from the Bercy agreements.

Capital expenditure
(millions of euros)

A year of high capital expenditure with the rollout of major programmes.

Net cash (net debt)
(millions of euros)

Net cash improved again, enabling the Group to keep up its growth strategy.

A STRATEGY OF GROWTH ON PROFITABLE MARKETS

ERAMET HAS DEVELOPED GREAT SKILLS FROM END TO END OF THE PRODUCTION AND CONVERSION CHAIN FOR NON-FERROUS METALS AND SUPERALLOYS, INCLUDING MINING, METALLURGY, PROCESSING, CLOSED DIE-FORGING AND CHEMISTRY. THE GROUP DOES ITS BUSINESS THROUGH THREE DIVISIONS – NICKEL, MANGANESE AND ALLOYS – ON FAST-GROWING GLOBAL MARKETS. THESE ARE CYCLICAL SECTORS, BUT THE CYCLES FOR NICKEL, MANGANESE AND ALLOYS ARE OUT OF STEP. THIS ENABLES ERAMET TO SMOOTH OUT THE DISRUPTIVE EFFECTS OF CYCLES THROUGH A LONG-TERM GROWTH STRATEGY. IN 2005, HEALTHY CONDITIONS ON THE ALLOYS MARKET OFFSET DOWNWARD TRENDS IN FERRONICKEL AND MANGANESE ALLOY PRODUCTION ACTIVITIES.

- **World's #1 producer of ferronickel.**
- **One of the three largest high-purity nickel producers.**
- **World leader in nickel chlorides.**
- **5th largest nickel producer worldwide.**

ERAMET NICKEL

produces and processes nickel ore in its 5 mining centres in New Caledonia. The division makes ferronickel for stainless steel, the world's largest outlet for nickel, consuming 70% of production. The market has recorded an average of 5% growth per year since the 1950's. Many other sectors use nickel and its derivatives, including superalloys, electronics and mobile energy, for which the division makes high-purity nickel and nickel and cobalt chlorides in its Sandouville (France) plant. It also produces ultrafine cobalt and tungsten carbide powders in its Grenoble (France) unit.

- **World's #2 producer of manganese ore and manganese alloys.**
- **World leader in catalyst recycling.**
- **A major world producer of manganese chemical derivatives.**

ERAMET MANGANESE

produces and markets one of the world's broadest ranges of manganese derivatives through a set of manufacturing assets located close to consumption zones. In Gabon, the division mines and enriches ore; it also manufactures sinter. From that base, the company serves diverse, steadily growing markets: the steel industry (90% of world manganese consumption, with 5% average annual growth), batteries, chemicals, agrochemicals and metallurgy. The division also has a highly profitable catalyst recycling business that produces molybdenum and vanadium.

- **World's #1 producer of high speed steels.**
- **World's #2 producer of closed die-forged parts for aerospace and power.**
- **A leading world producer of high performance special steels and superalloys.**

ERAMET ALLIAGES

is the Group's alloys division. It produces special steels, tool steels, high speed steels and superalloys and transforms them by forging, rolling and closed die-forging. Its products are designed for demanding markets such as aerospace, energy or tooling. These sectors are smaller in volume terms than the carbon or stainless steel markets and prices are higher. The division invests 2% of its turnover in R&D to develop new alloy grades and regularly modernise its manufacturing processes.

NICKEL DIVISION

MARKETS DRIVEN BY CHINESE GROWTH

ERAMET NICKEL, A WORLD LEADER ON THE NICKEL AND NICKEL DERIVATIVES MARKET, IMPLEMENTED ITS GROWTH STRATEGY ON MARKETS THAT WERE AGAIN DOMINATED BY GROWTH IN CHINA IN 2005.

While actual consumption of stainless steel continued to grow by over 4% worldwide, production growth paradoxically slowed down. The development of more and more production facilities in China led to lower imports into the country and surplus inventory among producers in the rest of the world. This trend is likely to unbalance global stainless steel producers on a lasting basis. Stainless steelmakers experienced considerable difficulties in 2005, especially as LME nickel prices remained high overall. From 7.2 USD/lb. in the first half of the year, they fell below the 6 USD/lb. mark in October and November before picking up again at the end of the year.

This situation weighed on nickel sales in 2005. The stainless steel market, which accounts for 70% of the division's business, should recover in 2006, driven by Chinese growth. However, high nickel prices are also pushing producers towards more and more ferritic (nickel-free) stainless steel. Other nickel markets (chemicals, superalloys, batteries, etc.) held out well without, however, offsetting the drop in consumption by stainless steelmakers.

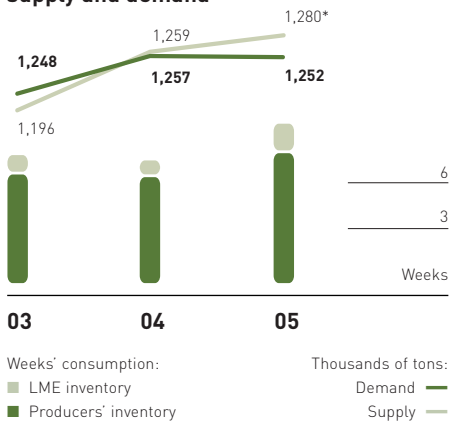
In 2005, Eramet sold 57,224 tons of nickel (of which 44,848 tons as ferronickel). This was less than expected due to recurrent difficulties at SLN and order cancellations or shipment postponements to 2006 by several customers with surplus nickel inventory.

Nevertheless, Eramet continued to implement its production capacity extension programme in New Caledonia. After building a new furnace and developing Tiébaghi mine, in 2005 the Group prepared to build an ore enrichment plant. The aim of this programme is to extend Eramet's New Caledonian capacity to 75,000 tons.

It is supported by substantial capital expenditure that has significantly reduced dust emissions from Doniambo plant.

The Sandouville (France) plant enhanced its product offering, leading to higher margins. The unit sold more than 12,300 tons of products in 2005, a 5% increase on 2004.
Eurotungstène continues to benefit from its innovation strategy. Following on from the great success of its NEXT® range of powders launched in 2003, the company launched the KEEN® range in 2005.
This new range will open up new market segments for Eurotungstène. On the strength of these sales successes, the company's margin improved by 10% in 2005. The division achieved total turnover of €774 million and posted current operating income of €243 million in 2005.

World nickel supply and demand



Turnover by market

Stainless steel	71 %
Chemistry, nickel-plating, miscellaneous	13 %
Nickel alloys (aerospace, power, electronics, coinage)	10 %
Tooling (Eurotungstène)	6 %
Total	**100 %**

KEY FIGURES 2005

(IFRS standards, millions of euros)

	2004	2005
Turnover	765	**774**
Current operating income	309	**243**
Net cash flow from operating activities	279	**321**
Capital expenditure	139	**68**
Capital employed	415	**487**
Average workforce	2,484	**2,549**

MANGANESE DIVISION

ONGOING INVESTMENTS AND COMPETITIVENESS EFFORTS

WITH LONG-STANDING BASES IN AFRICA, CHINA, EUROPE AND AMERICA, ERAMET MANGANÈSE INVESTED TO DEVELOP ITS BUSINESS AND KEEP PACE WITH GROWTH ON WORLD MARKETS IN 2005.

In 2005, prices fell significantly on the main manganese markets after the exceptional levels reached in 2004. Demand for manganese alloys remained high, driven by growth in steel production, particularly in China.

Despite high demand, the overdevelopment of manganese alloy production in China and the build-up of inventory made the market fragile and seriously unbalanced alloy prices, which fell abnormally low in the second half before picking up slightly towards the end of the year.
Similarly, despite healthy ore demand, surplus production especially from new marginal producers, weighed on price trends in 2005.
In this less favourable environment than in 2004, Eramet benefited from the efforts made in recent years to make its operations world-class in terms of competitiveness. This drive is an ongoing process on all the division's alloy production sites.

In parallel, in order to keep up with its markets' structural growth, Eramet continued its capacity extension programme at Moanda mine (Gabon), where shipped production increased to 2.9 million tons in 2005.

This programme will raise the mine's capacity to 3.5 million tons in 2008. In 2005, Eramet obtained a 30-year concession from the Gabonese government to manage the Transgabonais railway. This will enable the Group to secure and develop ore removal capacities from Moanda mine.

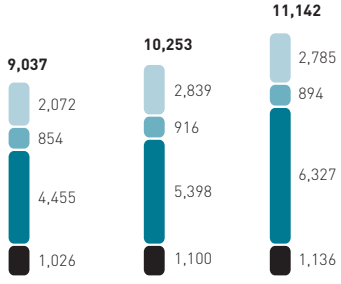
In the manganese chemistry business, market conditions remained good and Eramet benefited from the productivity efforts made in recent years. The Group is developing its industrial base in China with construction of a facility to produce electrolytic manganese dioxide (EMD) for alkaline battery manufacturing. The new unit is designed to meet the needs of a fast-growing local industry.

Eramet's catalyst recycling activity benefited in 2005 from a sharp improvement in its industrial performance, enabling it to process record volumes, and from very high molybdenum and vanadium prices during the year. Given the substantial growth in heavy oil production in Canada, the Group decided to invest in the construction of a new catalyst recycling unit in Alberta.
In 2005, the division posted €264 million in current operating income.

Turnover by activity

Ore and alloys for the steel industry	60 %
Recycling (Mo, Vn) and others	29 %
Ore and alloys for chemistry	11 %
Total	**100 %**

World consumption of manganese alloys in the steel industry



Europe (inc. CIS)	- 1.9 %
North America	- 2.4 %
Asia & Oceania (inc. China)	+ 17.2 %
Other regions	+ 3.3 %
World	**+ 8.7 %**

KEY FIGURES 2005

(IFRS standards, millions of euros)

	2004	2005
Turnover	1,103	**1,135**
Current operating income	326	**264**
Net cash flow from operating activities	264	**184**
Capital expenditure	39	**94**
Capital employed	393	**528**
Average workforce	5,361	**5,147**

ALLOYS DIVISION

UPTURN IN AEROSPACE AND POWER MARKETS

A LEADER ON VERY HIGH-TECHNOLOGY MARKETS, ERAMET ALLIAGES IS LEVERAGING A STRONG UPTURN IN ITS BUSINESS TO CONTINUE DEVELOPING IN FRANCE AND CHINA.

The aerospace market upturn that began in late 2004 was borne out in 2005, leading to brisk business for the division. This trend is set to continue into 2006 and 2007. A highlight of 2005 was the maiden flight of the Airbus A-380, for which Eramet Alloys makes both structure parts (battens, landing gear boxes and engine struts) and engine parts, notably for the GP 7200 built jointly with General Electric and Pratt & Whitney and for the Rolls Royce Trent 900.

The power market levelled out and the division's production for this outlet improved slightly, thanks in particular to a policy of diversifying sales into the gas turbine and oil markets, as well as the nuclear sector, where several programmes resumed.
The business upturn, which occurred sooner than expected, was however supported by the efforts made in 2004 to improve manufacturing efficiency and by activity-based organisation across the different alloy operations. Four centres of excellence (production, rolling, forging and closed die-forging) are now in operation at Aubert & Duval (AD). The company also undertook ambitious improvement programmes to increase the its capacity utilisation rate and respond to market growth more effectively.

Eramet Alliages continued to implement the capital expenditure programme for Airforge, its new closed die-forging unit in Pamiers (France). This complete production facility includes a circular rolling mill and product preparation, pre-heating and heat treatment facilities, centred on a 40,000-ton hydraulic press.

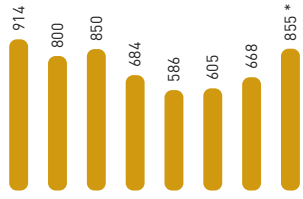
The rise in energy and raw material prices (particularly molybdenum and vanadium) weighed on AD's overall profitability, but was passed through to sales prices at Erasteel. Eramet Alliages was faced with supply problems for some components, particularly titanium alloy ingots.

On the high speed steel and tool steel market, business slowed down after a good first half of the year. To follow these markets, which are being increasingly relocated, Eramet invested in a new distribution centre in Wuxi, China, which will open in early 2006. The unit, which will also provide a technical assistance service, attests to the Alloys division's Asian development strategy, despite the termination of a project to build a high speed steel plant in Danyang, China.

Turnover by market

Aerospace and defence	32 %
Power generation	8 %
Cutting tools, tooling	38 %
Specialties (automotive, medical, transport, mechanical construction)	22 %
Total	**100 %**

Annual aircraft deliveries Airbus / Boeing (source Airbus / Boeing)



KEY FIGURES 2005

(IFRS standards, millions of euros)

	2004	2005
Turnover	659	**811**
Current operating income	9	**47**
Net cash flow from operating activities	(24)	**(24)**
Capital expenditure	60	**66**
Capital employed	562	**661**
Average workforce	4,961	**4,555**

VALUE-CREATING PERFORMANCE

WORLD-CLASS INDUSTRIAL AND ECONOMIC PERFORMANCE

IMPROVING INDUSTRIAL AND ECONOMIC PERFORMANCE IS A CONSTANT CONCERN FOR ERAMET'S PEOPLE, WITH THE AIM OF MAINTAINING FIRST-RATE COMPETITIVENESS AND MARKET LEADERSHIP. ERAMET'S SCOPE HAS EVOLVED AND IT NOW HAS BASES IN 41 LOCATIONS ON FIVE CONTINENTS. THE GROUP DEVELOPS ITS PERFORMANCE THROUGH TEAMWORK AND NETWORKS FOR PURCHASING, COMMUNICATION AND FINANCE.

CLOSE-UP

COMMUNICATION

EraNet drives change by informing, explaining and connecting

In December 2005, Eramet set up its new **communications intranet**. EraNet decompartmentalises information and reports on Group and division news through a wealth of varied content (New, Actions, Key Figures, etc.), providing efficient, rationalised and thorough information.
The intranet is fully in line with the change momentum instilled by the *Leaders* project, which is building cohesion and openness across the Group.

Mobilised management

Human resources management supports the performance improvement process through several mechanisms. The senior manager review, set up in 2004 to provide for centralised supervision by the Executive Committee, also helps to ensure expertise is available where the Group needs it. Manager mobility has been developed in the Group in recent years to foster Group-wide project management and the flow of experience. This mobility between divisions and the Group's different international entities was stepped up in 2005. For example, researchers from the Trappes research centre (CRT) continue their careers on the Group's industrial sites to ensure their skills remain at the state of the art. Profession networks exist to share experience. The Group also decided to organise formal taskforces on specific topics to professionalise functions such as environmental risk management or maintenance. Finally, common marketing approaches for the Group's materials are being intensified, as developments in China show.

Networked tools

In 2005, Eramet completed the setup of its international telecommunications network, which now connects every Group site worldwide. This rollout was a milestone in the creation of a Group spirit.

The network forms a foundation for many current or future projects to help Eramet's people communicate, share experience and contribute to the Group's performance. In 2005, it was fitted with the communication tools that make actions and strategy more transparent and clearly understood.

Eralink, a reporting tool based on Magnitude for its financial part, was provided to all units. It will initially make financial management more responsive and effective in a Group that has sites on every continent. In 2006, it will be enhanced by the collection of other information, including industrial and commercial statistics and human resources and safety data. The Group's managers will then be able to share information and top management will have an efficient, quick and accurate tool.

Eramet also continued to roll out its Environmental Information Systems (EIS). In 2005, all the Group's French and Belgian operations, i.e. 11 sites, were linked and so could make a full contribution to the database. The system will be deployed in stages to all international sites in 2006 and 2007 to give the Group a more accurate and comprehensive picture of its environmental performance.

The aim of this tool is to ensure data are traceable, identify and monitor improvement areas at Group and operation level, give the network's members access to relevant information and to support reporting and communication actions.

PROFILE #1

"NEW DEAL AND GUIDED ADVENTURE"

Joining Eramet with confidence and determination to make things happen means beginning a new adventure – the development of a unique group on a human scale that values the ability to drive change for all.

GROWING MARKETS

ALLOYS DIVISION

Maintenance breakthrough at Erasteel Commentry

At **14%**, the breakdown rate achieved for full-year 2005 on the Commentry (France) plant's Quarto line was 9 points lower than 2004. This good performance was achieved by the unit's maintenance team. Its coordinator, maintenance technician Fabrice Martin, took part in the assembly, ramp-up and adjustment of the line and has been seconded to production since 2004.
The aim was to improve reliability on a sheet rolling line that was installed in 1999. As the line runs on a just-in-time basis, it cannot be shut down. The team, which liaised between production and engineering, had to analyse, address and prevent all the Quarto's problems and dysfunctions. They also had to train production operators. Training focused on regular maintenance and "first-aid" repairs, which keep problems to a minimum until the maintenance teams, who have to manage the entire site and so are not always immediately available, can arrive. The satisfactory results in 2005 are the fruit of teamwork involving operators, production, engineering and maintenance. The next stage is to reduce the breakdown rate to below 10% – an ambitious target but a realistic one as it was already achieved for several successive months in 2005.

The Eralink team is made up of accountants, financial specialists, management controllers and IT experts, etc. The project is intended not only to process financial and accounting data, but also all the operating indicators needed to manage the Group. It brings all these data together in a single, homogenous database through a common language.

Eramet's EIS enables operations to share their experience and know-how in handling a number of problems. In addition, the system includes a document management tool that gives all users access to the information needed for their environmental situation to evolve. Different countries' regulations are gradually being published in the system, so situations can be compared and initiatives can be used for inspiration in managing the Group's relations with administrations worldwide.

Competitiveness through purchasing

A common process for selected strategic purchases has been implemented in the past two years. It was especially important in 2005, given the global price rises in the different energy sources (+37% for oil, for instance). Eramet's specialities make it a big consumer of a wide range of energies, although they have similar uses in terms of industrial processes (pyrometallurgical applications in particular). These processes require a secure, flexible supply. Eramet buys grid electricity (Europe, United States), heavy fuel oil from Asia and Australian coal for New Caledonia.

Securing these supplies in terms of availability and reliability and controlling their cost are ongoing concerns for Eramet and call for advanced expertise and techniques in order to guard against sharp price fluctuations. Cost control involves long-term contracts and energetically efficient processes. By consolidating purchases in this area, Eramet has obtained better prices.

COLLECTIVE PROGRESS FOR THE ENVIRONMENT AND RISK MANAGEMENT

A MORE WIDELY SHARED APPROACH

CARE FOR THE ENVIRONMENT AND THE CONTROL OF INDUSTRIAL RISKS COME UNDER A PROCESS THAT HAS INVOLVED ALL THE GROUP'S PEOPLE FOR SEVERAL YEARS. THE PROCESS WAS FORMALISED IN THE ENVIRONMENTAL CHARTER ADOPTED IN 2002 AND IS BEING TURNED INTO THE ORGANISATIONAL AND MANAGERIAL IMPROVEMENTS NEEDED TO ACHIEVE REAL PROGRESS.

Maintaining the Group's commitment

The environmental highlights of 2005 were:

- enhancement of local teams' professionalism,
- rollout on French-speaking sites of a computerised system for sharing and managing environmental data,
- further commitment to environmental management processes.

In terms of responsibility for its products and management of the hazards and risks related to its activities, Eramet increased its involvement in the relevant trade bodies throughout 2005. The Group's action focused on selected key issues concerning health and the environment, primarily REACH (Registration, Evaluation and Authorisation of Chemicals) and risk assessment and management questions.

Enhancing local teams' professionalism

After forming a robust corporate team, in 2005 Eramet made its network of local correspondents more professional by recruiting two environmental specialists for the Les Ancizes and Gennevilliers sites (France). The environment network is now comprised of around 30 people. The goal is not to significantly increase the number of employees assigned to these duties, but to ensure that resources and skills are managed with optimum costs and effectiveness.

The French and Belgian members of the network meet two or three times a year in the Environment Club. This forum enables them to keep their knowledge of the relevant technical or regulatory matters up to date and to share experience and best practices. Together with work on more specific issues, these initiatives help to make the environmental function more effective as a whole.

Developing the environmental information system

Through its EIS (environmental information system – see page 19), Eramet applied its policy of publishing environmental data on its operations in 2005. The system covers 17 sites (France, Belgium, Norway, New Caledonia, Gabon, United States) that correspond to over 80% of the Group's non-mining activity. The published data range from water and energy consumption to air and water discharges and the amount of waste processed.

Towards ISO 14000 certification for industrial sites

Significant progress was recorded in 2005 on the setup of EMS (environmental management systems), a target set by the 2002 Charter.

Following the ISO 14001 certification of the Commentry site in December 2004, confirmed by the satisfactory first follow-up audit a year later, 2005 was marked by the certification of both Eramet Norway plants in June, renewed certification for Tertre's copper recycling activity (Belgium) and the formal start of the certification process at Sandouville and Pamiers (France).

In parallel to operations' commitment to improvement processes, operating permits were successfully updated at the Grenoble, Issoire, Interforge, SLN, Champagnole and Gennevilliers sites, in particular.

The overhaul of the reference grid for in-house environmental audits was begun in order to upgrade the existing mechanism. In addition to its initial diagnostic function, in 2006 auditing will become a tool for supporting and assessing improvement processes.

In Tiébaghi (New Caledonia), the new sea (sea-conveyer pictured) and land (storage park, wheel/bucket stacker) facilities improve productivity, workplace safety and protection of the environment.

Extending work on trade bodies

Eramet has the goal of active participation, often with responsibilities, in the trade bodies to which it belongs. Three priority orientations have been defined:

- Make a very active contribution to the development of scientific knowledge of the Group's products,
- Take part in talks on industrial companies' new social responsibilities,
- Spread knowledge and recognition of the specificities of the Group's processes and products.

This commitment is fulfilled internationally (Nickel Institute, International Manganese Institute), regionally (Eurométaux, EIMAC for the European Union) and nationally (FEDEM, French non-ferrous metals federation, FFA, French steel federation).

In that framework, in 2005 the Group decided its priority issues, in addition to REACH, the new chemicals management policy set up by the European Union, were to monitor nickel assessment studies and risk management, develop ecotoxicological knowledge of manganese, define specific methodologies for assessing metals for the European Union and monitor proposed regulations on air quality.

GROWING MARKETS

MANGANESE DIVISION

Erachem Tertre: ISO 1400 for customers and suppliers alike

The Tertre plant successfully passed its follow-up audit, resulting in the renewal of its ISO 14001: 2004 certificate for the Belgian unit's copper waste recovery activity in September 2005. The standard covers not only products but also copper recycling services. In Tertre, the entire waste recovery chain from supplier to customer is part of a virtuous circle: Tertre's customers use the refined copper solution it produces from waste to make printed circuits that, after use, generate copper waste that is in turn processed by Tertre. The quality label allows Tertre to secure and extend its customer/supplier portfolio, particularly on Scandinavian markets, which are very demanding on environmental matters.

CLOSE-UP

ENVIRONMENT AND INDUSTRIAL RISKS

REACH[1]: The December 13th political agreement is a major milestone

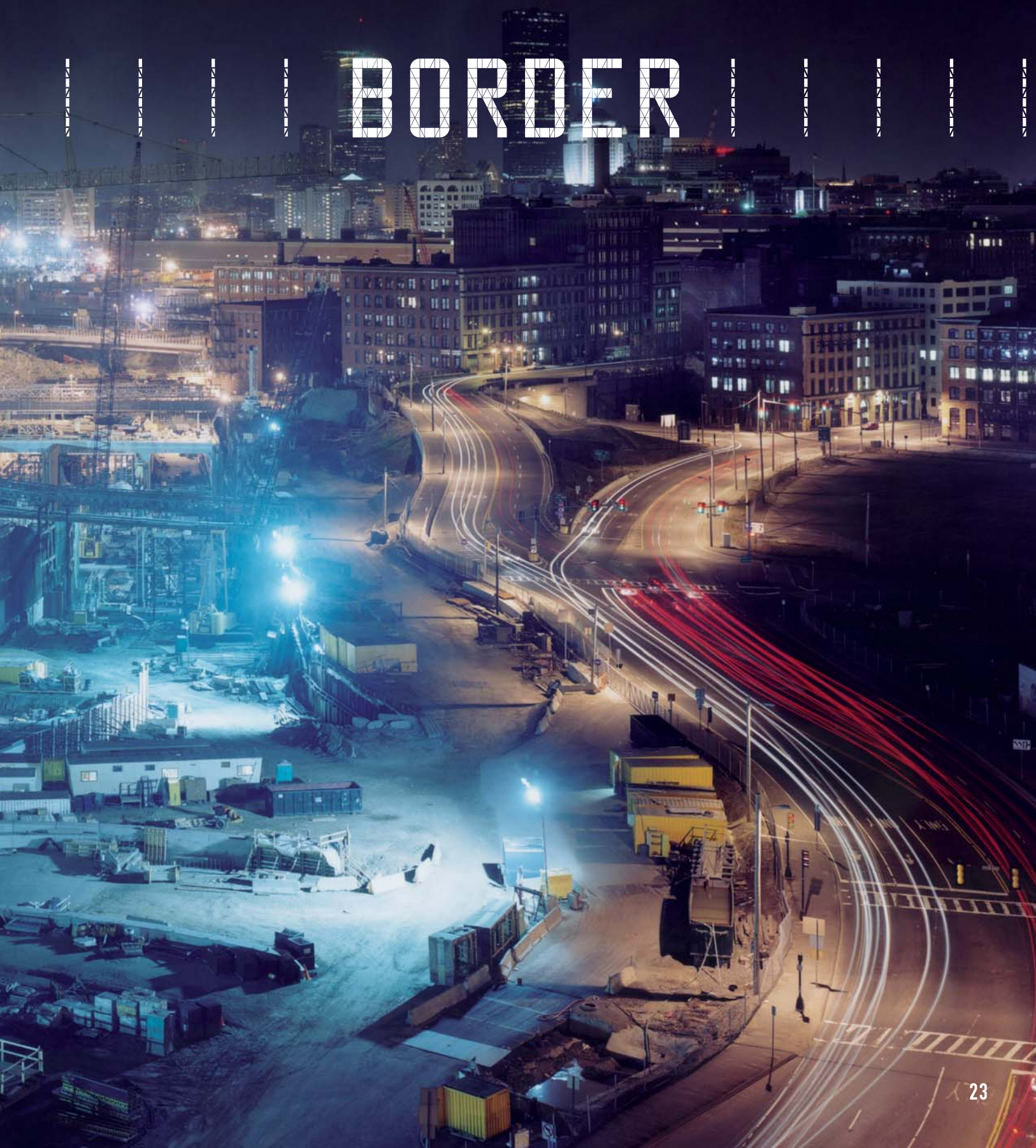
A decisive first step was taken on December 13th, when the European competitiveness achieved an initial political agreement limiting the scope of REACH to substances actually marketed. Consequently, minerals, ores and concentrates would be excluded from registration and assessment requirements but may be subject to authorisation. This was important news for the Eramet Group, an active and attentive player in the European project. Initiated in 2001 and finalised in 2003, the bill still has to go through a second reading in the European parliament and receive the agreement of the European Council of Ministers to before it is effectively adopted. The final decision will not be made until autumn 2006, but Eramet has already formed a taskforce to prepare for application of the future regulations within the Group.

[1] REACH (Registration, Evaluation and Authorisation of Chemicals): a European project concerning regulations on the management of around 30,000 "chemical" substances, including metals and their composites and uses (alloys, steels, etc.).

THE GEOGRAPHIC

ORE DEPOSITS, INDUSTRIAL AND MARKET KNOW-HOW: ERAMET'S GEOGRAPHY IS DIVERSE, EVOLVING AND NATURALLY INTERNATIONAL. FOR THE GROUP, IT IS JUST AS IMPORTANT TO FORGE STRONG, RESPONSIBLE RELATIONS WITH LOCAL COMMUNITIES WHEREVER IT IS ACTIVE AS TO INVEST IN NEW REGIONS TO SUPPORT ITS CUSTOMERS AND KEEP PACE WITH ITS MARKETS. ERAMET IS AN ACTIVE ECONOMIC PARTNER IN GABON AND NEW CALEDONIA, BUT ALSO IN NORWAY AND AROUND ITS FRENCH SITES. THE GROUP OPERATES HIGHLY COMPETITIVE INDUSTRIAL SITES IN EUROPE WHILE INVESTING IN CHINA OR CANADA.

BORDER



INDUSTRIAL DEVELOPMENT IN LINE WITH GLOBAL MARKETS

INTERNATIONAL DEPLOYMENT IN EVERY ACTIVITY

ERAMET'S INTERNATIONAL STRATEGY IS CLOSELY RELATED TO THE NATURE OF ITS BUSINESSES. ITS ACTIVITIES ARE CARRIED OUT ON GLOBAL MARKETS AND DEVELOPED WHEREVER THERE IS HIGH ECONOMIC GROWTH. WITH GROWTH RATES FAR ABOVE THE GLOBAL AVERAGE, CHINA IS DRIVING MANY OF THE GROUP'S MARKETS AND ERAMET IS EXPANDING ITS BASES THERE. ERAMET IS ALSO INVESTING IN NORTH AMERICA IN LINE WITH THE EXCEPTIONAL GROWTH OF THE RECYCLING MARKET AND IN EUROPE, WHERE THE GROUP IS DEVELOPING A HIGH VALUE-ADDED INDUSTRIAL ACTIVITY IN ALLOYS, HIGH SPEED STEELS AND CHEMISTRY.

1

2

1.
Paris Air Show 2005.

2.
The first stone of the EMD plant in Chongzuo (China) was laid in November, in the presence of the governor of Guangxi province. This plant will enable Eramet to respond to growth in the Asian alkaline battery sector, especially in China, the world's largest market.

Cyclical market trends

The Group's main markets – steel, chemicals, aerospace, power, tooling, etc. – evolve in cycles but are all affected by global economic movements.
Most of the major industrial players have adopted an international policy for their raw materials purchases. New players from high-growth countries such as China are gaining in influence. Day in, day out, Eramet has to prove its competitiveness and closeness in order to keep up its development.

The Alloys division serves both American aerospace customers (e.g. Boeing) and European industries (SNECMA, Airbus); consumption of high speed and tool steels is increasingly shifting to Asia.
The Manganese division follows steelmaking markets in China and the chemical industry worldwide. Stainless steel producers, the Nickel division's main customers, are increasingly based in Asia, especially China. The Group also sells in Europe and Japan. Eramet has organised itself to anticipate and respond to those markets. The International Management Committee was created in 2004 and completed its first full year in 2005.
It centralises this vision for the Group.

The Chinese industrial experience

China is a major issue for Eramet because of the size of the country's markets and the pace of its growth. It is the main driver of the steel industry and the world's largest producer, whether for stainless, carbon or high speed steels, as well as the biggest consumer. Similarly, China accounts for 10 to 30% of raw materials and 43% of electroplating. Many manufacturers have relocated production to China, taking Eramet's markets with them.

When China slows down, the effect on world nickel or manganese demand is brutal, as happened in 2005. However, beyond short-term fluctuations, the prevailing trend in China is vigorous economic growth.

In 2004, Eramet gave its Chinese expansion strategy new impetus. The Group, which has over 10 years' industrial experience in China with Comilog's manganese alloy plants, has set up a crossfunctional team that steers all its local developments.
In 2005, the mostly Chinese team was bolstered with the recruitment of an industrial manager, Chinese purchasing manager and human resources manager. It manages relations with the Chinese authorities, keeps a constant lookout for industrial opportunities and develops the Group's local commercial activities. Eramet now employs 2,200 people in China through several Group entities.

PROFILE #2

"ADVENTURERS"

Following an intercultural path across every continent, mapped out by the Group's main bases, being recognised as one of the people who enable the company to win new territories through harmonious development.

The Group's increasingly international scope enables employees (pictured: the Nickel/ Manganese seminar) to foster dialogue, decompartmentalise skills and develop multicultural openness.

In 2005, Eramet withdrew from a project to build a tool steel plant in Tiangong. This experience was a "successful failure" insofar as the Group, at an early stage and with very limited cost, called off a project that was drifting away from the original goals because of its partner's behaviour. This led Eramet to define its strategy without weakening its determination to develop in China. Furthermore, the Group has undertaken two new projects that fulfil that strategy and will enhance its commercial and industrial presence in the country.

To keep pace with the sharp growth of the tooling market, Aubert & Duval is opening a centre in Wuxi for the marketing, pre-machining and thermal treatment of tool steels for mould manufacturing. This facility in JiangSu province will also have state-of-the art vacuum processing and nitriding equipment, set up in partnership with Thermi Lyon. A local technical team was trained in France in 2005 and provides Chinese manufacturers with metallurgical support and technical assistance.

Work was in the completion stage at the end of 2005 and the centre has been operational since early 2006.

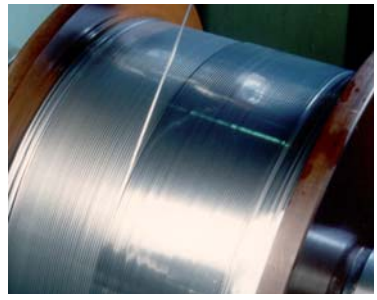
Eramet has also begun construction of a new electrolytic manganese dioxide (EMD) production plant in Chongzuo, Guangxi province, where Eramet already has two manganese alloy production units. EMD is intended for alkaline battery manufacturing, a market that is developing rapidly in China. All the sector's major players have bases in the country, where more and more local producers are emerging. China is set to have an increasingly dominant role in alkaline battery production.

The facility will come on stream in early 2007 and should initially produce 10,000 tons of EMD. It will then gradually increase its annual capacity to 20,000 tons, with a total workforce of 200 people.

On site, a Sino-European industrial team has already been formed and is preparing for the transfer of technology, mainly from the United States. The aim of this plant is first to meet market demand in China, then enable the future Chinese platform to develop its activities throughout Asia.

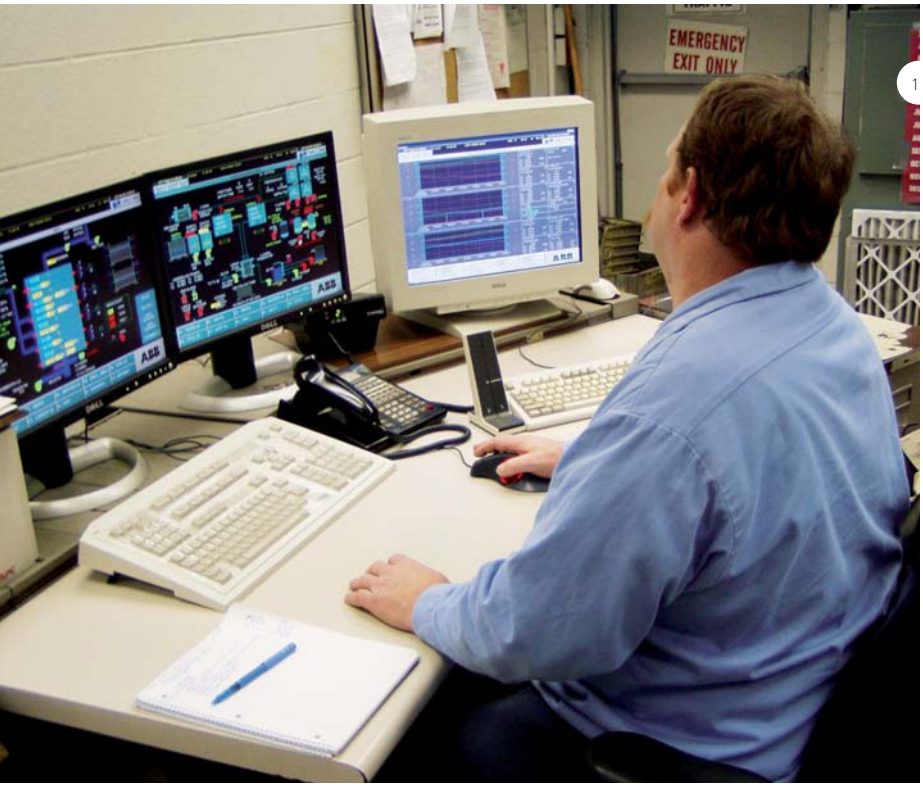
CLOSE-UP

CHINA, A DRIVING FORCE FOR GROWTH



Eramet's Chinese markets are supporting its development

15 % - the average annual growth rate for Eramet's markets in China. The world's largest producer and consumer of steel, China also has some of the highest growth rates on Eramet's markets: 10% for high speed steels, 13% for tool steels, 15% for alkaline batteries and binders for diamond tools and 20% for carbon and stainless steel. Given that China's share of these global markets is from 20 to 50%, depending on the sector, it really is the tiger in the tank of the world's economy!



1.
Higher performance (materials yield and machine optimisation) enables Gulf Chemical & Metallurgical Corp. to maintain its global leadership in catalyst recycling.

2, 3, 4.
In Marietta (USA), Eramet has grouped together the manufacturing of special products, high-purity chrome and stiffeners (photos 3 & 4) for the aluminium industry.

5.
Eramet's Marietta (USA) plant.

Profitable markets in North America

In 2005, Eramet decided to invest to address the emergence of a profitable market in Canada. Oil price rises have led to the more and more intensive use of new oilfields such as the tar sands located in the province of Alberta. Conversion of these resources into liquid petroleum requires powerful refineries with high catalyst consumption.

Eramet is the world leader in oil catalyst recycling (with an approx. 25% market share) through its subsidiary Gulf Chemical & Metallurgical Corp., based in the United States.

The Group has a competitive edge on this market as it is the only player with a grasp of the different technologies (pyrometallurgy and hydrometallurgy) needed to recycle all catalysts. That is why Eramet has decided to build a new recycling unit in Canada. The new facility, Eramet's first in the country, will cost US$36 million and should be operational in 2007.

The Alberta deposits have great potential for vanadium. Eramet intends to strengthen its positions on this market as well as in molybdenum, which is currently at very high price levels. Gulf Chemical & Metallurgical Corp. had an outstanding year in 2005, thanks to improved performance (materials yield and machine optimisation) and price rises for the metals resulting from the recycling process: molybdenum, vanadium, nickel and cobalt.

In 2005, the Group also increased its stake in the US company Bear Metallurgical, North America's leading producer of ferrovanadium and ferromolybdenum, from 49.5 to 100%.

In Marietta (USA), Eramet has grouped together the manufacturing of special products, high-purity chrome and stiffeners for the aluminium industry. The aim of the operation is to improve the plant's industrial competitiveness and win new market share by developing its sales in Europe and Asia.

Competitiveness hubs

For Eramet, ensuring that its European production units are world class in terms of competitiveness is essential.
On one hand, that involves constantly improving performance and on the other hand, developing the distinctive expertise and services that low labour cost countries cannot offer.

This approach can be seen in the development of high-performance steels and the production of specific parts for demanding industries such as aerospace. Similarly, efforts to shorten cycles (particularly at Commentry and Pamiers, France) enable the Group's European manufacturing units to stay ahead of the competition.


2


3


4

In that spirit, the Alloys Division took part in a survey organised by the French ministry of industry in 2005 to identify the strategic metallurgical sectors that are best kept in France. A report listing various activities, published in July, guided the government in its choice of projects for the "competitiveness hubs" created in 2005. The aim is to group together, in a given region, teaching and research institutions and companies of all sizes around common issues to foster innovation and investment. Drawing on solid and dynamic local bases, the Alloys Division plays an active role in several competitiveness hubs, including Viameca in Auvergne and Rhône-Alpes for mechanics and engineering and Aerospace Valley in the Midi-Pyrénées region. It also participates in a nuclear hub in Burgundy and a metallurgical hub in Lorraine.

For Eramet, this participation is a unique opportunity to gain access to world-class research laboratories through mutually beneficial programmes. The Group's input is to supply materials for characterisation and insight into complex industrial problems. It also assists laboratories by offering resources for project management and testing. Finally, through its expertise, the Alloys Division makes an active contribution to the development of complex industrialisation projects in the metallurgical field.

CLOSE-UP

ERAMET LATIN AMERICA

Excellence award for Brazil

The biggest vehicle manufacturer, steelmaker and stainless steel producer in Latin America, Brazil is establishing itself as the region's leading economic power.
Brazil also boasts the world's leading iron ore producer and some global players in aerospace and oil. All these factors led Eramet to set up a dynamic sales office in 2002 (Erasteel Latin America[1]) that has earned great reputation and gives the Group a special vantage point for observing the region's impressive economic growth.

[1] Renamed Eramet Latin America on January 1st, 2006.

5

PLAYERS IN LOCAL DEVELOPMENT

A SPECIFIC GEOPOLITICAL ROLE

"ERAMET HAS A SPECIAL GEOPOLITICAL ROLE," JACQUES BACARDATS EXPLAINED IN AUGUST 2005. IN NEW CALEDONIA AND GABON, IN PARTNERSHIP WITH LOCAL AUTHORITIES THE GROUP PROCESSES TWO ORES THAT ARE ESPECIALLY PRIZED BY GLOBAL INDUSTRY. THE SCALE OF ITS OPERATIONS IN THOSE REGIONS GIVES ERAMET AN UNDISPUTABLE SOCIO-ECONOMIC ROLE. THE GROWTH PROGRAMMES IN PROGRESS ATTEST TO THAT ROLE AND CONTRIBUTE TO ESSENTIAL LOCAL DEVELOPMENT. THIS OUTLOOK IS PART OF THE GROUP'S FUTURE WHEREVER IT IS BASED, FROM AFRICA TO EUROPE AND FROM ASIA TO AMERICA.

1.
In October, Owendo ore port (Gabon) loaded over 50,000 tons of manganese ore in under 48 hours. This logistical record contributes to the progress of Comilog's 3 million ton programme.

2.
Tour of Doniambo plant (New Caledonia) attended by the mayor of Nouméa.

A key player in New Caledonia

Eramet mines five nickel deposits and operates a ferronickel production plant in New Caledonia in partnership with Société territoriale calédonienne de participation industrielle (STCPI). This structure was created in September 2000 to represent New Caledonia's three provinces and holds 30% of SLN's capital. STCPI also has a 5% stake in Eramet. SLN directly employs 2,200 people in New Caledonia and has led to the creation of almost 1,000 indirect subcontracting jobs in the territory. With approximately 800 mining jobs in Northern Province and the 75,000 ton mining development programme, SLN significantly helps to rebalance the local economy in favour of populations in the North. Moreover, it has set new standards on social matters, as its employees' wages and benefits compare very favourably with other local companies. Finally, the tax fallout from SLN's business accounts for approximately 10% of New Caledonia's budget.

A development partner in Gabon

A major economic player in Gabon, Eramet increased its commitment to the country in 2005 through Comilog, of which the Group holds 67% and Gabon holds 25%. The Gabonese parliament has ratified the new mining agreement signed in 2004 governing relations between the Gabonese state and Comilog, especially on tax matters, until 2032. To meet growing global demand for manganese, Eramet stepped up its capital expenditure to develop production capacity, which will reach 3.5 million tons in 2008 (vs. 2.5 million in 2003).

In 2005, Eramet was also granted the 30-year concession to manage the Transgabonais railway, attesting to the Gabonese authorities' confidence in Comilog's industrial capabilities. Under the legal framework for the concession, rail traffic can be secured and significantly increased for passengers and goods as well as for manganese ore.

PROFILE #3

"NEW CALEDONIA OR GABON FOREVER"

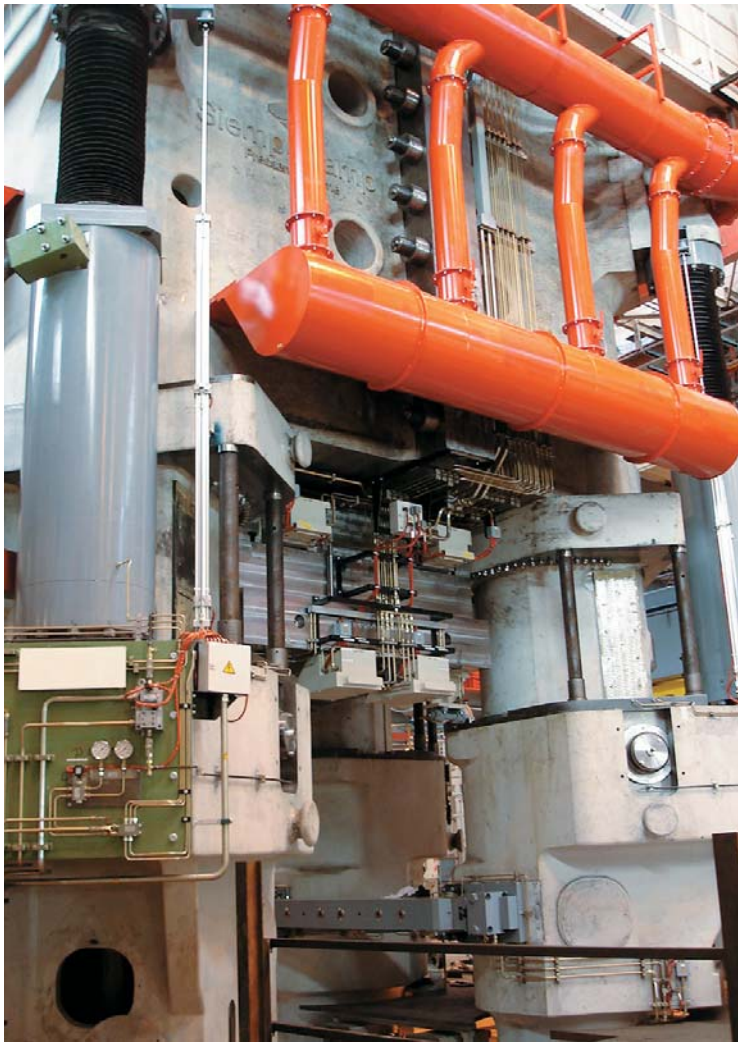
Set root in the Group's founding territories, with interweaving career projects and life plans, respecting all the company's stakeholders, in return for recognised status and integration in local communities.

GROWING MARKETS

ERAMET ALLOYS

Les Ancizes: reindustrialisation and competitiveness

Is it possible to improve competitiveness and take part in a region's reindustrialisation at the same time? The Aubert & Duval (AD) operation at Les Ancizes (France) proves that it is. In 2005, the site launched several reindustrialisation projects in areas as varied as production, logistics, maintenance and archiving. All these initiatives involve partnerships with subcontractors that benefit from AD's support and guarantee as principal. In return, they pledge to meet workplace safety commitments and apply AD's environmental standards. This win/win rationale means mutual performance improvement, showing that reindustrialisation and competitiveness can go hand-in-hand.



Airforge's new press will reduce the workload on the 65,000 ton press in Issoire (France) and enable it to specialize in large parts.

CLOSE-UP

OPEN DAYS

A general policy of openness

In Pamiers, Doniambo, Grenoble, Sauda, Issoire, Firminy and other sites, in 2005 the Group opened its doors to a great many curious and enthusiastic members of the public. The success of these open days is down to the operations' employees, who rallied round so the local population could discover or learn more about their facility and share in their job and experience. This Group-wide initiative, based on dialogue and transparency with neighbouring communities, vividly reflects Eramet's general policy of openness.

THE TECHNICAL

CAPITALISING ON ITS UNIQUE GEOLOGICAL, MINING, METALLURGICAL AND CHEMICAL KNOW-HOW, ERAMET INVESTS TO UPHOLD AND ENHANCE A TECHNICAL CULTURE THAT HAS ENSURED THE SUCCESS OF MANY DEVELOPMENTS. IN 2005, THE MAIDEN FLIGHT OF THE AIRBUS A-380, FITTED WITH CLOSED DIE-FORGED PARTS OF MATCHLESS SIZES, BREAKTHROUGHS IN NICKEL MINING IN NEW CALEDONIA AND MANGANESE SINTERING IN GABON, AND THE ENVIRONMENTAL PROGRESS ACHIEVED IN FRANCE, NORWAY AND WORLDWIDE ALL ATTEST TO THE VITALITY OF THAT CULTURE, SUPPORTED BY SUSTAINED RESEARCH AND DEVELOPMENT.

NEW MATERIALS FOR HIGH PERFORMANCE

CONTRIBUTE TO OUR CUSTOMERS' BUSINESS PERFORMANCE

IN ALL THREE DIVISIONS, ERAMET CONSTANTLY DEVELOPS NEW MATERIALS AND PROCESSES TO INCREASE THE VALUE ADDED BY ITS PRODUCTS. FROM MINERALURGY, WITH THE MANGANESE ORE SINTERING PROCESS NEAR MOANDA MINE (GABON) THAT MAKES MANGANESE ALLOY PRODUCTION SIMPLER, TO SUPERALLOYS DEVELOPED SPECIFICALLY FOR AEROSPACE APPLICATIONS, ERAMET LEVERAGES ITS KNOW-HOW TO CONTRIBUTE TO ITS CUSTOMERS' BUSINESS PERFORMANCE.

MANGANESE DIVISION

GCMC: investing and recycling

$36 million – the cost of the capital expenditure programme launched in December by Gulf Chemical & Metallurgical Corp. (GCMC), a US subsidiary of Eramet and the world leader in recycling oil catalysts. The programme involves building a recycling plant near Edmonton in Alberta, Canada. The new facility will enable GCMC to support its customers' development in heavy oil refining, a high-growth market that represents a major resource for the future.

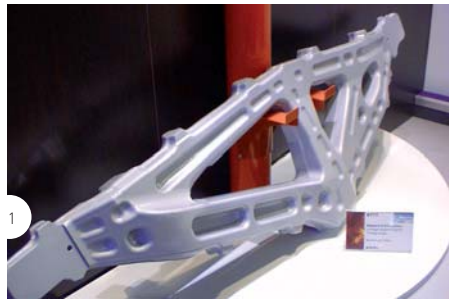
Tool steels: new processes for greater strength

In 2005, the Alloys Division marketed a new range of steel powders designed for cutting tool manufacturing. Dvalin™ was named after the character in Nordic mythology who forged the god Odin's famous sword. By upgrading its manufacturing process, Eramet improved the steel's purity, leading to greater strength and better surface condition.

The Alloys Division is also working on production of a full range of tool stools for use in cold working (cutting, stamping, etc.), which requires high abrasion resistance. New steel grades have been developed to extend the Group's existing lines. The new range is based on powder metallurgy technology and will be manufactured in the Söderfors, Sweden plant. The unit's people have improved the atomisation process by drawing on Eramet's vacuum processing know-how, acquired in superalloy manufacturing.

Superalloys: innovation serving aerospace

The Airbus A-380 uses several Eramet innovations, including the capability to closed die-forge very large parts such as battens and landing gear, the design of new grades and innovations in surface treatment. The 3 meter-long screws that adjust the tilt of the aircraft's tailplane were designed in stainless steel instead of the previously used material, chrome steel, which requires heavy maintenance and has significant environmental impact. Aubert & Duval has developed a new stainless steel grade that is suited to carbon surface treatment. This "cementation" hardens the screws' surface, making them more stress- and abrasion-resistant. The parts deliver the strength required for the product with a threefold benefit for Airbus, as they are more environment-friendly, cost less and require less maintenance.



1

2

Continued capital expenditure efforts in 2005

In both its mining activities, nickel in New Caledonia and manganese in Gabon, where projects entail heavy expenditure and long timeframes, the Group's development strategy is aligned on the steady long-term growth of its markets. In its industrial activities, Eramet has a twofold goal: ensuring the world-class competitiveness of its production assets and investing in research and innovation to develop high value-added activities, particularly in superalloys, powders and recycling. Eramet kept up its capital expenditure efforts in all three divisions in 2005. €231 million was invested to develop nickel and manganese ore production capacities and build a new production unit in alloys. The Group is also expanding its bases in China with the construction of an Electrolytic Manganese Dioxide (EMD) plant and a tool steels distribution centre.

3

Eramet has developed another steel grade that, for the first time, combines the advantages of stainless steel and the very high strength of conventional steels. The first orders for this new steel were placed in 2005 for landing gear and are now in production. This innovation ahs attracted great market interest, especially in the United States. Stainless steel offers many advantages for parts in aggressive environments. Until now, these were made from conventional steel and so required regular maintenance. Eramet's new steel delivers the same strength with the added advantage of stainlessness.

1.
Aubert & Duval produces the largest seamless closed die-forged parts in the world for the Airbus A-380...

2.
...and delivers titanium, superalloy and steel parts to the world's leading aircraft engine makers (General Electric, SNECMA, Pratt & Whitney, Rolls Royce, etc.).

3.
In Sweden, Erasteel Kloster developed Dvalin™, the new steel powder range designed for cutting tool manufacturing, launched in 2005.

CUSTOMER-FOCUSED RESEARCH & DEVELOPMENT

SHARING KNOWLEDGE AND DEVELOPING SKILLS

ERAMET REGULARLY STEPS UP ITS RESEARCH AND DEVELOPMENT EFFORTS TO MEET THE REQUIREMENTS OF ITS INDUSTRIAL CUSTOMERS, CONSTANTLY IMPROVE ITS COMPETITIVENESS AND OFFER NEW SERVICES. IN SOME SECTORS, SUCH AS SUPERALLOYS FOR THE AEROSPACE OR AUTOMOTIVE SECTORS, INNOVATION IS AN ONGOING PROCESS PLANNED TEN YEARS AHEAD. OTHER, MORE CONVENTIONAL SECTORS SUCH AS MINING GENERATE RESEARCH NEEDS AS SIMPLE RESOURCES ARE USED UP, CALLING FOR PROSPECTION OF NEW, MORE COMPLEX ORES AND THE DEFINITION OF RELEVANT PROCESSING METHODS. A CONSTANT ENVIRONMENTAL CONCERN GOVERNS THE DEVELOPMENT OF NEW PROCESSES; EMISSION REDUCTION IS NOW A KEY SELECTION CRITERION.

CRT serves all three divisions and centralises skills and tools for cross-Group processes such as electric furnace operation.

Managing R&D effectiveness

Eramet's research resources are closely focused on its customers' needs. Whether for superalloys (Les Ancizes), surface treatment (Gennevilliers), powder metallurgy (Söderfors), closed die-forged parts (Pamiers) or cobalt powders (Grenoble), research teams are based on production sites.

The 70 researchers, engineers and technicians at Trappes research centre (CRT) serve all three divisions. Skills and tools for cross-Group processes (mineralurgy, hydrometallurgy, calcination, electric furnaces, alloy processing, conversion, etc.) are centralised at the unit, located near Paris. CRT's people often work in the field, cooperating closely with producers on process and product development in line with customer needs. For several years, Eramet has networked its research teams to ensure that all the skills in the Group are readily available.

For example, in the Alloys division in 2005, R&D programmes on powder metallurgy were carried out jointly by Erasteel and AD. A project involving Söderfors laboratory, CRT and Les Ancizes' test facilities resulted in a new steel grade; Grindamax 3V™ enables manufacturers to improve competitiveness by reducing tool rectification costs.

To build up knowledge and anticipate future developments, Eramet has several research partnerships with universities and specialised laboratories, particularly through the Alloys division. Eramet funds theses and works with engineering schools such as École des Mines in Albi (tooling), Nancy (surface treatment, alloy production and metallurgy) and Sophia Antipolis (digital simulation skills for conversion). In 2005, Eramet Alliages began work with Ecole Centrale on superalloy microstructure.
Eramet Norway's long-standing cooperation with Trondheim University is now shared with CRT. In 2006, it will result in the development of a experimental pilot system to analyse the pyrometallurgical reduction of nickel and niobium ores.

Research on alloy grades requires long work for 10-15 years before any industrial application. This is one of the strengths of Aubert & Duval's research teams.
New stainless steel grades for aerospace, the grades selected by the US army for weapons and the new 5% chrome tool steel, reflecting the vitality and effectiveness of the company's research, which also applies to production processes. Also upstream, Aubert & Duval is preparing the next aerospace programmes at Boeing, SNECMA and Airbus and is working with those manufacturers on the materials and parts for the aircraft of the future.

The analysis laboratory at Guilin Comilog (Chine), where manganese alloys are produced for the Chinese market.

Actively supporting capital expenditure projects through research

Eramet's research supports the rollout of capital expenditure programmes, including the ramp-up of electric furnaces in New Caledonia as part of the 75,000 ton programme. Research is also in progress to define the beneficiation process for nickel ore in Tiébaghi.

In Sandouville, research teams are optimising processes to increase production capacity (15,000 tons of nickel and 300 tons of cobalt as metal content) and decrease organic discharges. The manganese sinter production unit in Gabon is the focus for two programmes, one on production ramp-up and the other on the continuous improvement of sinter quality.

In 2005, Eramet launched a study on mining and processing niobium ore in Gabon. Niobium is used as a hardener in steels and superalloys and as a structure refiner. Based on the mineralogical analysis of the ore, the aim is to define an operating process for extracting and beneficiating the niobium content.

Programmes to improve competitiveness

A study on the overhaul of the wire drawing process in Commentry began in 2005. The goal is to reduce lead times, inventories and costs substantially in order to become more competitive in terms of service and productivity than low production cost countries. The Group wants to offer its customers a service quality that will transform the way they manage inventory and anticipate demand in addition to limiting their risks.

Programmes to lower environmental impact

For 40 years, the Söderfors, Sweden plant has stored its production waste, made up of oxides with very high metal content. In 2005, Eramet undertook a study to recycle those scales and extract the rich elements they contain, for example vanadium and molybdenum. Using the conventional process of arc furnace oxide reduction, Eramet has developed a process that makes that extraction possible with Söderfors' own equipment. The pilot test carried out in November 2005 showed the effectiveness of the new process and the Group will carry out its first industrial trials in January 2006 with the start-up of effective recycling in the same year.

GROWING MARKETS

NICKEL DIVISION

Keen®- cutting-edge innovation

Innovation. Following on from its sister range Next®, which is mainly designed for cutting stone (e.g. granite), the Keen® range is intended for the harsh, abrasive materials used in the construction sector, such as reinforced concrete and asphalt. Using an innovative manufacturing process designed and developed by Eurotungstène, as was Next®, Keen® stands out because of its high ductility. This combines shock resistance and hardness to make cutting tools stronger.

PROGRESS THROUGH SKILLS

SUSTAINING TECHNICAL LEADERSHIP

ERAMET'S GROWTH IS BUILT ON THE DEVELOPMENT OF ITS TECHNICAL LEADERSHIP IN EVERY MINING, METALLURGICAL AND CONVERSION ACTIVITY. THAT POSITION IS RECOGNISED BY THE GROUP'S CUSTOMERS. TO UPHOLD AND STRENGTHEN ITS LEADERSHIP, ERAMET HAS UNDERTAKEN A PROGRAMME TO FORMALISE, DEVELOP AND PASS ON ITS KNOW-HOW AND SKILLS THROUGH SEVERAL KEY INITIATIVES. THE GROUP INVESTS ALMOST 4% OF ITS TOTAL WAGE BILL IN TRAINING AND DEVELOPS TUTORING, COACHING AND APPRENTICESHIP PROCEDURES.

1.
DETI, SLN's studies and research department in New Caledonia.

2.
The 65,000 ton press on Aubert & Duval's Issoire (France) site is the largest press in Europe. It is used to make aerospace parts.

Preserving critical skills

In 2005, Eramet undertook a large-scale programme to organise the development and transmission of its know-how.
The first stage was to identify the skills related to its core business: geology, pyrometallurgy and hydrometallurgy, powder metallurgy, fine chemistry, heavy chemistry, steelmaking and conversion.
In these fields, the Group's know-how often gives it one if its greatest competitive advantages. That know-how will now be formalised; existing skills will be listed and channels organised to protect, share and transfer them. Moreover, new, equally essential activities are developing, such as railway management in Gabon, for which a training programme has been organised.

Knowledge assets

Eramet has set up several systems to build up knowledge and enrich its stock of technical skills by gathering the experience and work done throughout the Group. Metallurgy seminars are regularly organised. In 2005, around 20 Group experts from the three divisions and CRT met in New Caledonia to present their work and share experience. At CRT, a team centralises the Group's mining and geological skills. Its mission is to develop the Group's knowledge in this area and share it with operations; it also contributes to mining resource assessments.

In some key areas, research work is carried out to gain more in-depth knowledge. Hydrometallurgy illustrates this approach. It is involved in more and more activities and Eramet can draw on extensive experience. Hydrometallurgy is the basis of many processes in manganese chemistry. Examples include EMD production in New Johnsonville (USA) and soon in China, high-purity chrome production in Marietta (USA) and the extraction of metals (molybdenum, vanadium and copper) from secondary materials.

PROFILE #4

"DESIRE FOR CONSTANT IMPROVEMENT"

Through taskforces and major overviews, putting a lot of oneself into a single ambition of improvement for the company – an ambition founded on sharing a strict methodology and on recognition for results.

2

For several years, CRT has been carrying out a major research programme on the hydrometallurgical extraction of nickel. As the richest deposits are gradually being worked out, oxidised ores, mostly in laterite form, represent the main nickel resource for the future (approx. 70 - 80% of world resources). Acid lixiviation currently remains the preferred method for processing these ores. In 2005, CRT successfully carried out a pilot trial on the upstream part of the process. This work is continuing in 2006.

Conversion: unique closed die-forging assets

Aubert & Duval (AD) is a closed die-forging expert with unique production assets among Western countries. This enables the company to develop unparalleled know-how. AD's production chain is made up of several presses, one with 65,000 tons capacity that can make the largest closed die-forged parts in the world, chiefly for aerospace. In 2005, Eramet continued to set up a new closed die-forging unit in Pamiers. The facility will have capacity of 40,000 tons and will come into service in 2006. This totally integrated and automated production unit will include every stage in conversion, from semi-finished products through to blanks. Designed to make engine parts for aerospace, it will significantly reduce raw material usage and shorten production cycles. Thanks to the technological edge of its closed die-forging chain, the Eramet Group, through Aubert & Duval, is a major supplier of special steel parts to the aerospace industry and a first-tier supplier of Airbus and Boeing.

Passing on technical know-how

Some activities are now Eramet specialties; it is difficult to find identical skills anywhere else. That's why Eramet is organising the formalising, enhancement and transmission of that expertise, from theoretical knowledge to the grasp of complex industrial facilities.

Erasteel has formed a project team to describe and conserve part of the company's fundamental know-how in order to pass it on simply to new arrivals.

Supervisors play a key role in maintaining and transmitting technical know-how. The Group organises seminars to support line management in its training mission. In New Caledonia, for example, management skills sessions are organised for foremen twice a year.

GROWING MARKETS

NICKEL DIVISION

Hydrometallurgy of oxidised nickel ore: a twofold benefit

Compared with reduction melting of garnierite ore leading to ferronickel, the process uses far less energy, the price of which is likely to continue rising. It is also the right time to start taking over from garnierite reserves, which are nearing depletion, as the process is suited to leaner resources of several types (laterites, lean garnierites), such as those found in New Caledonia.

THE INDIVIDUAL

FOUR BORDERS, FOUR CHALLENGES

ERAMET
ANNUAL REPORT
2005

ERAMET IS COMMITTED TO LASTING SOCIAL DEVELOPMENT WHEREVER IT IS ACTIVE. THE GROUP MANAGES ITS HUMAN RESOURCES IN THAT SPIRIT. ERAMET DEPLOYS BENEFITS AND SAFETY SYSTEMS THAT GIVE EVERYONE THE SAME LEVEL OF PROTECTION AND INDIVIDUALLY REWARD INITIATIVES AND CONTRIBUTIONS TO COMMON IMPROVEMENTS.

A PROJECT THAT MOBILISES ERAMET'S PEOPLE

A NEW TEAM-DRIVEN MOMENTUM

AFTER THE RESTRUCTURING PERIOD IN 2003 AND THE SPECTACULAR UPTURN IN THE GROUP'S RESULTS IN 2004, ERAMET MADE A PRIORITY OF DEVELOPING ITS MANAGEMENT CULTURE TO INVOLVE ALL EMPLOYEES MORE CLOSELY IN ITS AMBITIONS. THE *LEADERS* PROJECT WAS UNDERTAKEN IN 2005 TO TRIGGER A NEW MOMENTUM, BASED ON THE DRIVING FORCE BEHIND ERAMET'S GROWTH – ITS TEAMS.

CLOSE-UP

LEADERS PROJECT

Expressing the Group's values in practical terms

Leaders is a change project that depends on buy-in and contributions from all personnel. From that perspective, several sites have begun to apply the Group's seven values. During individual performance reviews in Norway, employees are asked to turn those values into practical actions as part of their work. In New Caledonia, through the "simplification and delegation" mission launched in May 2005, all the themes related to the company's performance have been reviewed with the aim of identifying areas of improvement centred on the Group's values. More than 100 suggestions were collected, such as refocusing monitoring charts on their steering function (quest for value-creating performance) or using individual development instruments tools like the 360° review or coaching (challenging the work status quo, mobility).

Understanding motivations, developing trust

A management survey conducted with the help of outside consultants took an inventory of motivations and trust within the Group. With a clearly asserted feeling of belonging, expertise recognised by partners and customers alike and deeply rooted professionalism, Eramet's managers form a solid, increasingly international team that shares a common vision of the Group.

Managers also voiced a desire for conquest and growth, calling for clearer strategy and greater recognition of initiative. Based on the survey's results, the *Leaders* project team defined a priority action plan to meet those expectations and communicate a new winning culture across the Group.

12 priority actions:

- Share strategy with teams;
- Make internal communications systematic;
- Create Eramet's image;
- Work better between different nationalities;
- Rebuild our technical leadership;
- Define annual objectives;
- Clarify compensation policy;
- Develop mobility;
- Foster initiative;
- Develop Group-wide teamwork;
- Revive recruitment policy;
- Communicate on the *Leaders* project.

1

A steering committee was formed, headed by Group Chairman Jacques Bacardats. Each member is responsible for an improvement project in tandem with a sponsor on the Executive Committee. In 2005, the Group prepared the project's rollout on every site worldwide.

"Shifting borders together"

The *Leaders* project supports the ambition of a new state of mind among the Group's men and women as they shift borders together.

Four borders are to be conquered under the project. The collective border is intended to foster teamwork and constantly improve performance. The geographic border should allow the Group to take on its full international and multicultural dimension, ready to win new markets. Conquering the technical border will enable the Group to strengthen

PROFILE #5

"CRAFTSMANSHIP, HUMANITY, AUTONOMISM"

Being recognised for one's own achievements in motivating projects with an autonomous culture. Developing relations based on good will and respect for others with the work community.

2

3

the knowledge and skills that form its culture. Finally, the individual border should enable people to challenge themselves with an expectation of improvement in their professional skills and achievements.

This dynamic vision of the Group, launched through the *Leaders* project, is already reflected in its achievements in 2005. Eramet is expanding worldwide, developing new products, gathering and enhancing its skills and working increasingly through networks.

Values that guide actions

The Group has identified and defined the seven fundamental values that shape its development. Far more than just a list in a charter, these values are intended to guide the Group's people through organisational change:

- Customer orientation;
- Quest for value-creating performance;
- Intellectual honesty, courage;
- Initiative and open-mindedness;
- Challenging the work status quo, mobility;
- Teamwork and decompartmentalisation;
- Maintaining, enhancing and passing on skills.

The seven Eramet values have already been integrated in several Group entities. In Norway for example, they are used as assessment criteria in individual performance reviews, forming a set of improvement goals to be put into practice. The values also form the framework of improvement action plans, as is the case at Aubert & Duval with the Accéler'action programme and at SLN with the Simplification-Delegation programme.

A major issue for human resources management

The human resources department is closely involved in the *Leaders* project. It contributes to several themes, including annual objectives, compensation policy, mobility and recruitment policy.

In parallel to and consistently with the rollout of the *Leaders* project, in 2005 Eramet designed a management training programme with the aim of carrying out two international sessions in 2006.

Moreover, the project is now being extended to supervisors and foremen in an adapted form based on local issues and circumstances. In Norway, mainland France and New Caledonia, the first interviews have been held with supervisors, technicians and foremen to identify key orientations such as work organisation and recognition for initiative.

The *Leaders* project as a whole is both an improvement process focusing on selected, clearly identified issues and a broader management momentum intended to instil in everyone the will to become a driver of change, whether technical, managerial, individual or collective.

1.
The *Leaders* Project steering committee, chaired by Jacques Bacardats.

2.
The *Leaders* Project was first presented to around 100 managers before being rolled out on all sites with all personnel.

3.
The Group's values, including initiative, were the focus of workshops during the September management seminar. The values are designed to guide action and drive improvement.

A COMMITMENT TO SOCIAL PROGRESS

COLLECTIVE IMPROVEMENT PROCESSES

THE *LEADERS* PROJECT AND ALL THE PROGRAMMES LAUNCHED ACROSS THE GROUP TO ENCOURAGE INDIVIDUALS TO RALLY ROUND TEAM GOALS ARE FOUNDED ON ERAMET'S POLICY OF PROTECTION FOR ALL ITS EMPLOYEES. FOLLOWING THE SIGNING OF A GENERAL AGREEMENT ON INSURANCE COVERAGE IN 2004, THE GROUP MADE SIGNIFICANT PROGRESS ON SAFETY AND LAUNCHED AN AMBITIOUS HEALTH POLICY.

Guaranteeing workplace safety

Workplace safety has long been a priority for Eramet. The Group's ambitions and commitments were set out in a safety charter signed in 2000. Its aggressive safety improvement process is based on a simple but demanding principle: ensuring that every employee can leave the workplace as healthy as when they arrived, with the additional satisfaction of a job well done. A fatal accident occurred in 2005, giving management and personnel a tragic reminder that safety demands unceasing watchfulness from everyone.

In 2005, Eramet reaped the rewards of every employee's mobilisation in recent years. Safety results improved substantially.

The lost-time accident rate was 8.2 for a target of 9. Great progress on this indicator has been made in the past three years, thanks to an action plan to which Group, division and line management have all committed. That commitment is supported by extensive awareness-raising and training efforts that emphasise setting the example, entail an overhaul of work organisation in some cases and give responsibility to all employees, workers, supervisors and managers.

This collective awareness made it possible to set up a Group-wide safety improvement drive. Significant progress has been made in the Manganese division, particularly in Gabon, despite the efforts involved in the 3.5 million ton capacity extension programme. Adapting safety policies to local habits and behaviour has substantially reduced the number of accidents. The Alloys division also launched a determined programme. The reorganisation plan was supported by positive industrial dialogue that established the climate of trust needed to implement safety improvement actions successfully.

These results must be consolidated by unflagging mobilisation and vigilance. The Group is currently working to share best practices and improvements with its subcontractors. Contracts now come with a set of conditions intended to guarantee the safety of employees working on Group sites.

In June, the steelworks team at Aubert & Duval's Firminy (France) plant was awarded a safety label by GESIM, the French steel & metallurgical federation. This recognition crowns a year of efforts through an ambitious programme based on improving both equipment and behaviour.

ERAMET NICKEL

Supervisors succeeding by taking nothing for granted

At SLN, three outstanding professionals were promoted to the highest rank of foreman in early 2006. Their achievement is the result of their constant determination to succeed and a refusal to take things for granted, supported by training and by geographic and professional mobility. For topographer Joël Rossard, geology technician Claude Monnier and personnel administration manager Jacques Wanapopo, all in their thirties, the promotion represents "Recognition and an achievement," but definitely not the end of a career, as long as they are driven by a passion for their work and the desire to pass it on to the next generation.

Skill transmission, dialogue and open questions at the SLN foremen's seminar.

The same protection for all

As from 2004, all Eramet's French and New Caledonian operations benefit from the same collective insurance system, giving every category of personnel the same protection against major risks. In other countries, the Group is setting up equivalent systems in accordance with local laws and regulations.

In 2005, Eramet widened that approach to prepare a similar protection system for health insurance. Positions currently vary between sites or job categories and negotiations are in progress to define a common coverage system.

Encouraging initiative and responsibility

While setting up collective benefit systems, Eramet is increasingly favouring individualised management of human resources (HR) to encourage and reward initiative. This process is based on decentralised organisation.

The Group HR department manages collective systems and programmes; site HR teams manage personnel on a daily, detailed basis, with special attention to individual aspects as well as collective matters. Together, they form a network supported by tools that provide knowledge of every Eramet employee, mainly in relation to his or her job.

Individual interviews, a framework that fosters dialogue between each employee and his/her management and reward for initiative, were relaunched in 2005. In the same perspective, individual salary increase programmes are now preferred over across-the-board raises. This approach places more value on each employee's efforts and is designed to provide objective recognition for contributions to the company's progress and achievements.

It also means that managers have to know their teams well. At the Group's head office, manager salary increases have been individualised since 2001. This process will be extended to foremen and, at a later stage, operators. It will come with greater dialogue and the possibility of appealing against a decision through the setup of a technical monitoring committee.

Furthermore, skill planning resources were enhanced in line with the *Leaders* project. Professions were identified and the skills needed for each of them were mapped out. The aim is to ensure that the Group's critical skills are maintained and developed. On some sites such as Commentry (France), ambitious programmes to formalise essential technical know-how have been initiated.

CONSTANT CONCERN FOR WORKING CONDITIONS

A SINGLE GOAL OF PROGRESS, TAKING LOCAL SPECIFICITIES INTO ACCOUNT

ERAMET REGULARLY CONDUCTS STUDIES ON THE RISKS OF ITS CORE BUSINESS OF MINING AND CONVERTING A SERIES OF METALS. THE GROUP ALSO CAREFULLY MONITORS THE IMPACT OF ITS ACTIVITIES ON ITS EMPLOYEES' HEALTH. THESE ACTIVITIES CAN BE VERY DIFFERENT, BUT ERAMET'S INDUSTRIAL SITES ALL FACE COMMON PROBLEMS, INCLUDING NOISE, VIBRATIONS AND THE COMPLIANCE OF INDUSTRIAL EQUIPMENT AND PROCESSES. MEDICAL SERVICES HANDLE THESE ISSUES ON EVERY SITE. TO GO FURTHER, IN 2005 ERAMET UNDERTOOK AN AMBITIOUS HEALTH POLICY. IN LINE WITH ITS GOAL OF CONSTANT SOCIAL IMPROVEMENT, THE GROUP INTENDS TO DEFINE AND IMPLEMENT A SINGLE PROCESS ACROSS EVERY SITE, TAKING LOCAL SPECIFICITIES INTO ACCOUNT BUT WITH A SINGLE GOAL OF PROGRESS.

A new momentum for health

In 2002, the Group set up a forum for all its workplace physicians. In 2005, Eramet decided to recruit a consultant physician to give its health policy a new momentum and make the process more professional. The aim is to ensure that the Group fulfils its responsibilities in accordance with laws and regulations and that its employees' health is protected in their workplace.

Eramet is striving for the same collective efforts in the health field as the mobilisation that has led to significant improvements in safety. To achieve this, management assessment will now include the monitoring of health-related objectives. A policy of systematic information on risks and precautions will be implemented. The Group is also taking action to prevent addictive behaviour (alcohol, smoking, drugs) based on awareness-raising campaigns and support for detoxification actions. In addition, monitoring of stress and tranquiliser consumption has begun.

More generally, Eramet is preparing to roll out a comprehensive health management system, defining assessment criteria and action plans as well as regular reporting. This new mechanism enables the Group to deploy action plans more effectively in areas such as information on the spread of bird flu or prevention of legionnaire's disease. In 2005, the Group also implemented an action plan combining scientific advice, transparency and communication, in accordance with the decree on highly sensitive carcinogenic, mutagenic or toxic to reproduction (CMR) substances.

"Non-smoking company" day at Eramet headquarters. A professional team comprised of a workplace physician, a tobacco addiction specialist and a dietician were on hand to inform employees.

PROFILE #6

"LOYALTY, PRIDE AND SECURITY."

Totally committing to the company's development to the point of embodying its culture, identity and, over the long term, history. Sharing in struggles alongside senior managers on the basis of strong personal relations.

Transparency in Nickel

Assessment of the risk presented by nickel and the action plan rolled out on the Sandouville (France) site are good examples of this approach. Eramet plays an active part in developing scientific knowledge of its products, i.e. nickel, manganese and alloys (see environmental chapter). The various studies conducted did not show up any particular risk on Eramet sites. Nevertheless, the Group is continuing its investigations and a new assignment, scheduled in 2006 with the participation of Professor Bertrand Dautzenberg, lung specialist at La Pitié-Salpêtrière hospital, Paris will deepen knowledge in this area. At the Sandouville operation, which produces nickel salts and chlorides, employees have been regularly informed of developments in scientific knowledge. Preventive measures have been taken, based on the precaution principle. These include employee monitoring and the setup of specific precautions for nickel matte handling and crushing.

Complete asbestos removal from French sites

Eramet has never made any materials containing asbestos. However, asbestos is present on some sites as it was previously used for heat insulation. In 2004, the Group decided to remove all asbestos from its sites and facilities (including refractory furnaces) in France. A crossfunctional asbestos committee was set up to support sites in carrying out and monitoring this work. In 2005, asbestos removal continued on different Group sites (Les Ancizes plant, Group head office). These actions reflect the Group's concern of not only complying with regulations in force, but of acting ahead of regulations whenever possible and being an industry benchmark.

The Sandouville (France) site is closely involved in the Nickel division's policy of transparency. In 2005, it initiated an action plan on risk assessment.

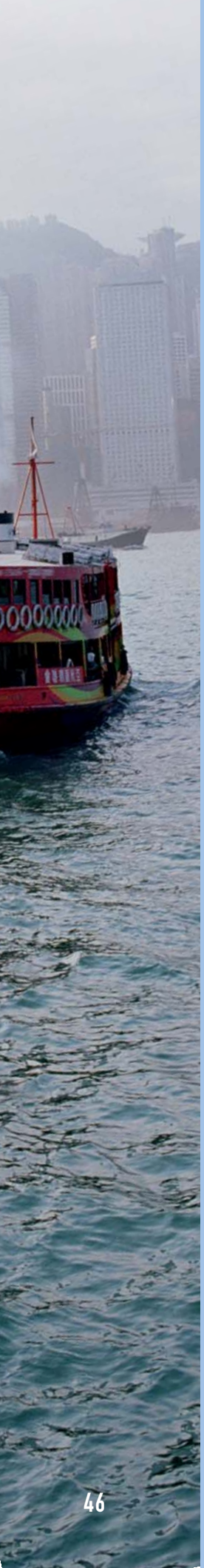
GROWING MARKETS

NICKEL DIVISION

Dr Bernard Paul,* SLN physician

2,203 people work in the Doniambo plant and the four mining centres. SLN's workplace medical unit is in charge of protecting their health. In 2005, preventive efforts continued with work aptitude check-ups for all operatives, active participation in the health, safety & working conditions committee with the presentation of a study on workplace stress, contribution to the anti-smoking commission and a campaign against addictive practices. As regards the victims of work accidents, the health unit develops a policy of placing them in relevant jobs, supported by both preventive and curative actions. "One of the most essential but also the most difficult functions remains the study of working conditions," concludes Dr Bernard Paul, SLN physician. That area of improvement is clearly identified for the coming months.

* Dr Bernard Paul is also a member of the *Conseil Économique et Social* (CES), an advisory body on economic and social matters to French public authorities.



ERAMET
FINANCIAL 2005

2005
FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

AN OUTSTANDING YEAR

IN 2005, ERAMET BENEFITED FROM VERY HIGH RAW MATERIAL PRICES AND ACHIEVED OUTSTANDING PERFORMANCE (CURRENT OPERATING MARGIN 20% OF TURNOVER), DESPITE PRODUCTION DIFFICULTIES IN NEW CALEDONIA RELATED TO INDUSTRIAL DISPUTES AND THE DECREASE IN MANGANESE ORE AND ALLOY PRICES IN THE SECOND HALF OF THE YEAR.
ERAMET'S NET CASH POSITION AGAIN IMPROVED IN 2005 (364 M€ VS. 288 M€ AT YEAR-END 2004), AFTER FINANCING A MAJOR PROGRAMME OF MOSTLY GROWTH-FOCUSED CAPITAL EXPENDITURE.

INCOME STATEMENT

Turnover

The Group's consolidated turnover was €2,712 million, an 8% increase from €2,521 million in 2004.
The Nickel division reported turnover of €774 million, a slight increase (1%) in 2004, with the positive effect of nickel price rises (6.69 USD/lb on the LME vs. 6.27 in 2004) partly offset by lower sales (57 Kt vs. 60 Kt) and the slight depreciation of the US dollar.

The Manganese division's turnover climbed to €1,135 million, up 3%. However, there was a clear contrast between a 19% increase in the first half of the year compared with the same period in 2004 because of steep prices rises for manganese ore, molybdenum and vanadium (by-products of the oil catalyst recycling activity) and a 11% decrease in the second half compared with the same period in 2004 as a result of a sharp fall in manganese alloy prices.

The Alloys division's turnover rose 23% (€811 million vs. €659 million in 2004) as higher prices for consumed raw materials were passed through to customers and aerospace demand picked up at Aubert & Duval.

2005 turnover
(millions of euros)
Excluding holding company, eliminations and miscellaneous

Nickel	774
Alloys	811
Manganese	1,135

2004 turnover
(millions of euros)
Excluding holding company, eliminations and miscellaneous

Nickel	765
Alloys	659
Manganese	1,103

Current operating income

Current operating income totalled €542 million, compared with €643 million in 2004.

This decrease is mainly due, on one hand, to the negative impact on SLN's production and sales of sporadic industrial disputes throughout 2005 and a strike of several weeks towards the end of the year and, on the other hand, to the depreciation of the dollar (hedged position at 1.26 USD/EUR in 2005 vs. 1.18 in 2004).

Sales prices increased at a slightly slower pace than raw material costs and inflation, with the combined positive effects of sales price rises in the Nickel and Alloys divisions and the drop in manganese ore prices not covering the sharp rises in consumed raw material prices and energy and freight costs.

Business trends were positive in all three divisions.

- Nickel production rose 9% (60 Kt vs. 55 Kt in 2005);
- Mining (2.9 million tons shipped vs. 2.3 in 2004), chemical and recycling activities increased, with however a 6% fall in manganese alloy sales;
- Aubert & Duval's sales increased on its main markets (aerospace and power), but decreased slightly for Erasteel's conventional high speed steels on the European and US markets.

Operating income

Operating income totalled €654 million in 2005 vs. €616 million in 2004. However, under "Other operating income and charges" it includes extraordinary income of €126 million, made up of €124 million in principal and interests for the mining indemnity acquired by Eramet and, on the other hand, €2 million in badwill on the acquisition of the Poum mining rights, as a consequence of the outcome of the Bercy agreements on December 31st, 2005.

Net income from recurring activities

At €518 million compared with €478 million in 2004, net income from recurring activities takes into account €126 million in income tax, which represents an effective rate of 20% (21% in 2004). This lower rate in 2005 is mainly due to permanent differences between accounting and taxable incomes and to previously unrecorded tax assets.

Net income, Group share

After minority interests, net income was €377 million, compared with €346 in 2004. This increase takes into account extraordinary income (cf. previous paragraphs) for a net amount after tax and minority interests of €77 million. Net income per share is €14.76 and works out at €11.75 excluding extraordinary income, compared with €13.75 in 2004.

FINANCING

The Group's net cash amounted to €364 million as on December 31st, 2005, a €76 million* improvement from the end of 2004.
This substantial improvement results from the following flows:

- €478 million in net cash flow from operating activities (519 M€ in 2004), resulting from EBITDA of €694 million (vs. 778 M€ in 2004) and the effect of extraordinary income on gross cash flow, after:
  – outlay of €123 million in income tax and €30 million in restructuring expenses in the Manganese and Alloys, for which provisions were booked in 2003,
  – a €150 million increase in net working capital requirements, mainly due to the impact of the sharp rise in turnover in the Alloys division.
- - €334 million in net cash flow with respect to investing activities, mainly €231 million (8% of turnover) in capital expenditure and the effect of the cancellation of the debt owed to the French state corresponding to mining indemnity for €124 million.
- - €71 million in net cash flow with respect to financing activities, of which €51 million in dividends paid to Eramet shareholders and €21 million to minority shareholders.

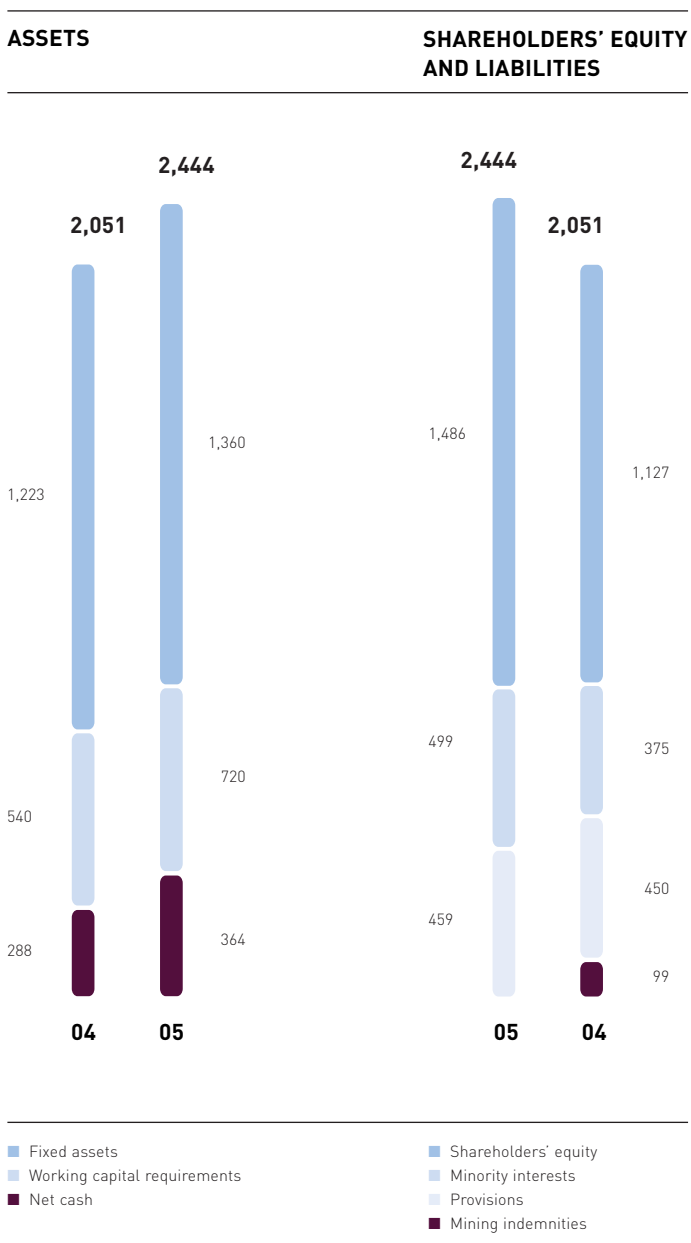
* Change in debt flow statement.

CONSOLIDATED BALANCE SHEET

Turnover

The Group's consolidated balance sheet assets totalled €3,416 million as on December 31st, 2005, compared with €2,948 million as at year-end 2004.
Non-current assets totalled €1,500 million compared with €1,350 million, which represents 56% of turnover as against 54% in 2004.
Simplified working capital requirements (inventory, receivables, operating payables) were €942 million as on December 31st, 2005 (127 days' sales), compared with €808 million as on December 31st 2004 (117 days' sales).
Shareholders' equity increased significantly, from €1,502 million as on December 31st, 2004 to €1,985 million at the end of 2005.

Consolidated balance sheet
(millions of euros)



BALANCE SHEET

(millions of euros)

ASSETS	As on December 31st	2005	2004
Goodwill		35	35
Intangible assets		72	67
Property, plant and equipment		1,193	1,055
Investments in associates		11	16
Other financial assets		62	50
Deferred taxes assets		127	127
Non-current assets		**1,500**	**1,350**
Inventories		760	601
Trade accounts receivable		523	472
Tax receivables		85	73
Derivatives financial instruments		25	15
Cash and cash equivalent		523	437
Current assets		**1,916**	**1,598**
Total assets		**3,416**	**2,948**

SHAREHOLDERS' EQUITY AND LIABILITIES	2005	2004
Share capital	79	79
Share premiums	219	218
Reserves	793	490
Currency translation adjustments	18	(6)
Net (loss) income	377	346
	1,486	**1,127**
Minority interests	499	375
Equity	**1,985**	**1,502**
Provisions	352	344
Deferred taxes liabilities	234	233
Long-term borrowings	49	60
Other liabilities	11	-
Non-current liabilities	**646**	**637**
Borrowings – short-term part	110	89
Trade accounts payable	552	594
Tax payables	80	124
Derivatives financial instruments	43	2
Current liabilities	**785**	**809**
Total liabilities	**3,416**	**2,948**

INCOME STATEMENT

(millions of euros)

	2005	2004
Turnover	**2,712**	**2,521**
Other income	36	93
Cost of sales	(2,068)	(1,834)
Administrative and sales expenses	(106)	(104)
Research and development expenses	(32)	(33)
Current operating income	**542**	**643**
Other operating income and charges	112	(27)
Operating income	**654**	**616**
Financial (costs) income (net)	(3)	(8)
Other financial income and expenses	(9)	(2)
Share in the income (loss) of associates	2	1
Income taxes	(126)	(129)
Income (loss) before minority interests	**518**	**478**
Minority interests	(141)	(132)
Net income	**377**	**346**
Basic earnings per share (EUR)	14.76	13.75
Diluted earnings par share (EUR)	14.62	13.50

2004 reprocessed to IFRS standards.

DEBT FLOW STATEMENT

(millions of euros)

	2005	2004
Operating activities		
EBITDA	694	778
Elimination of non-cash or non-business items	(63)	(195)
Operating cash flow before charges in capital	**631**	**583**
Changes in operating working capital	(153)	(65)
Net cash flow from operating activities	**478**	**518**
Investing activities		
Capital expenditure	(231)	(240)
Investments	(32)	(75)
Disposals of fixed assets	19	15
Investment subsidies received	-	21
Net change in deferred charges and accounts payable for fixed assets	(113)	(6)
Consolidation adjustments and net change in borrowings	21	-
Dividends from equity accounted companies	2	4
Net cash flow from investing activities	**(334)**	**(281)**
Financing activities		
Dividends paid	(73)	(35)
Increases in share capital	1	6
Changes in financial working capital	1	-
Net cash used in financing activities	**(71)**	**(29)**
Currency translation adjustments	3	2
Change in net borrowing position	**76**	**210**
Opening net borrowing position	**288**	**78**
Closing net borrowing position	**364**	**288**

2004 data reprocessed to IFRS standards.

CHANGES IN SHAREHOLDERS' EQUITY

(millions of euros)

	Number of shares	Capital	Premiums	Reserves	Conversion	Net income	Total Group share	Minority interests	Total
Share capital as on Dec. 31st, 2003	**25,577,574**	**78**	**212**	**505**			**795**	**320**	**1,115**
Dividends paid				(25)			(25)	(10)	(35)
Capital increase	167,370	1	6				7		7
Currency translation adjustments					(6)		(6)	(3)	(9)
Treasury stock				11			11		11
Other adjustments				(1)			(1)	(64)	(65)
Net (loss) income						346	346	132	478
Shareholders' equity as on Dec. 31st, 2004	**25,744,944**	**79**	**218**	**490**	**(6)**	**346**	**1,127**	**375**	**1,502**
Appropriations to reserves				346		(346)			
Dividends paid				(51)			(51)	(22)	(73)
Capital increase	44,930		1				1		1
Currency translation adjustments				(1)	24		23	6	29
Treasury stock				8			8		8
First time application IAS 32 & 39				37			37	16	53
Changes in revaluation reserve of financial instruments IAS 32 & 39				(38)			(38)	(19)	(57)
Changes in net income charged to shareholders' equity - IFRS 2				2		(2)			
Other adjustments								2	2
Net income						379	379	141	520
Shareholders' equity as on Dec. 31st, 2005	**25,789,874**	**79**	**219**	**793**	**18**	**377**	**1,486**	**499**	**1,985**

2004 data reprocessed to IFRS standards.

GLOSSARY

PROCESSES

Pyrometallurgy
A high temperature process for reducing oxides to metal by mixing them with a reducing agent and melting them in a blast furnace or an electric furnace.

Hydrometallurgy
A chemical process for separating metal from oxide in an aqueous medium by leaching, followed by solvent extraction and electrolysis.

Powder metallurgy
The production of high grade alloys by pulverising a stream of liquid metal, thus producing powder which is compacted at very high pressure and high temperature.

Forging
The hot shaping of metal between two tools to produce simple shapes.

Close die-forging
The process of shaping a piece of metal by hot pressing it between two engraved dies to produce complex forms (in one stroke and at a slow speed).

Rolling
An operation that reduces the thickness of an ingot, a bar, a sheet, etc. by passing it between the rollers of a mill.

PRODUCTS

Alloys
Metallic substances composed of various metals, each with specific properties, to meet certain requirements, e.g. resistance to wear or corrosion, mechanical strength at high temperatures, etc.

Ferroalloys
Alloys containing iron and at least one other metal, such as nickel, manganese and chromium, which are added to liquid steel to produce alloy steels with the desired properties.

Superalloys
Alloys of several metals in which nickel is generally predominant (nickel-based superalloys), which have high mechanical strength at elevated temperatures and which are resistant to corrosion. They are used in the manufacture of parts for the aeronautics and aerospace industries in power generation, the chemical industry and environmental protection equipment.

High speed steels
A family of alloy steels with high wear resistance and high hardness hot or cold, used principally in the manufacture of cutting tools (drills, taps, milling cutters, saws, etc.) for machining metals.

Design and production: **W PRINTEL**
Photo credits: Louis Allard, David Becker (ANC), P. Schaff, Albert Zekri / Getty Images / Eramet photo library and X.

ERAMET

Tour Maine-Montparnasse
33, avenue du Maine
F-75755 Paris Cedex 15

Tel.: +33 (0)1 45 38 42 42
Fax: +33 (0)1 45 38 41 28
www.eramet.fr